ANNUAL REPORT

of the

PROVINCIAL AUDITOR

of

ONTARIO

for the year ended March 31, 1983

THE HONOURABLE JOHN M. TURNER, M.P.P.

Speaker of the Assembly
Province of Ontario

Dear Sir:

I have the honour to transmit herewith my report for the year ended March 31, 1983, for submission to the Assembly in accordance with the provisions of section 12(1) of the Audit Act.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, November 28, 1983.

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1

GENERAL

1.1 Introduction

This Report has been prepared pursuant to section 12(1) of the Audit Act, which requires the Provincial Auditor's annual Report to be submitted to the Speaker of the Assembly not later than December 31st each year, provided that the Public Accounts have previously been laid before the Assembly.

Sections of the Audit Act relevant to the responsibilities of the Provincial Auditor are set out in Exhibit 1 of this Report.

1.2 Timetable for Preparation and Submission of Annual Report

To comply with section 12(1) of the Act, and to allow the required time for the preparation and printing process, our annual reports cover all audits completed to the end of each September. This Report, therefore, covers audit activity through the twelve month period from October 1982 to September 1983.

In this connection, as a result of printing deadlines, it is not possible to include in this Report any replies from ministries and agencies of the Crown which have been received subsequent to September 30. However, all such replies are forwarded by this Office to the Standing Public Accounts Committee of the Legislature after this Report has been tabled.

A complete description of the process leading up to the issue of this Report is contained in section 6.9.

1.3 Basis of Reporting

The contents of this Report are prescribed by section 12(2) of the Audit Act (See Exhibit 1 — CONTENT OF ANNUAL REPORT). Its purpose is to bring to the attention of the Legislative Assembly those matters which have been observed and are considered significant. In many respects, therefore, this is a report by exception.

Reporting in this manner may unduly emphasize deficiencies without giving credit for the many situations where no significant irregularities

were observed. Indeed, several audits conducted during the past year disclosed no matters of major significance. With certain other audits, although weaknesses and deficiencies were noted, the program activities and systems reviewed, when taken as a whole, were found to be generally well controlled.

In accordance with section 12(2)(a) of the Act, we are pleased to report that we received all the information and explanations required in carrying on the work of the Office.

1.4 Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports

It is our practice to follow up on the status of suggested corrective action and recommendations at the time of our next audit of each ministry or agency of the Crown. The status of suggested corrective action and recommendations contained in our 1982 Report is indicated in Exhibit 9 of this Report. Exhibit 9 also provides an update on the status of corrective action and recommendations considered unresolved per Exhibit 9 of our 1982 Report.

1.5 The Standing Public Accounts Committee

Standing Order 91 of the Legislative Assembly requires that the Report of the Provincial Auditor and the Public Accounts be referred to the Standing Public Accounts Committee as they become available. The Committee, which is appointed for the life of each Parliament, currently consists of twelve members, with Committee membership proportional to the respective Party membership in the Legislature. As has been the case since 1968, the Chairman is a member of the Official Opposition Party.

The Public Accounts Committee plays an important role in the process of accountability for public funds by focusing attention on areas of concern to the Legislative Assembly and to the public. The Committee provides the forum to which officials of ministries and agencies may be called to account for the legality and prudence of government expenditures and the establishment of proper administrative policies and procedures.

In our opinion, one of the key prerequisites for an effective Public Accounts Committee is a commitment to operate in an atmosphere which, unlike the full Legislature, is not designed to be partisan in nature. Debates in the Legislature tend to focus on policy and to follow party lines, whereas Public Accounts Committee meetings should deal with the administration of government programs.

Reference was made in our 1982 Report (section 1.5) to the activities of the Standing Public Accounts Committee during the First and Second Sessions of the Thirty-Second Parliament, prior to adjournment of the Assembly on July 7, 1982 for the summer recess.

Upon the return of the Legislature in the fall of 1982, the Committee resumed its activities. Seven meetings were held during the months of October to December 1982. The Committee submitted its final report for 1982 on December 20, prior to the adjournment of the House on December 21, 1982. When the Legislature re-convened on January 17, 1983, the Committee held two more meetings prior to the proroguing of the Legislature on February 23, 1983.

The Committee received the authorization of the Assembly to sit during the interval between sessions. As a result, meetings were held on March 8, 9 and 10, 1983. Additionally, the Committee visited Ottawa and observed two meetings of the federal Public Accounts Committee. As part of this trip, the Committee also held meetings with members of the federal Committee, as well as with officials of the Offices of the Auditor General and Comptroller General of Canada.

After commencement of the Third Session of the Thirty-Second Parliament on April 18, 1983, the Committee held seven meetings during the months of April to June, prior to adjournment of the Assembly on June 21, 1983 for the summer recess.

The Committee was authorized by the House to hold a meeting on June 23, to hold additional meetings during the summer adjournment and to travel to Washington during the week of October 2, 1983. The Committee's June 23 meeting consisted of a tour of the Ministry of Revenue's new offices in Oshawa and discussions with ministry officials and the Minister. Meetings were held during the last week of September dealing with the accountability of selected Crown agencies. The planned trip to Washington will include meetings with officials of the United States General Accounting Office.

1.6 Recommendations of the Standing Public Accounts Committee

For informational purposes, Exhibit 10 of this Report provides the current status of recommendations contained in the Standing Public Accounts Committee's December 20, 1982 Report to the Legislature. Exhibit 10 also provides an update on the status of recommendations contained in previous Committee reports, to the extent that such recommendations were considered unresolved by the ministry or agency per Exhibit 10 of our 1982 Report.

2

SUMMARY OF AUDIT OBSERVATIONS

2.1 Introductory Comments

The following two sections have been prepared to provide the reader with a brief overview of the audit conclusions and observations contained in Chapters 3 and 4 of this Report, together with our views as to the most significant sections. For additional information, together with our recommendations, reference should be made to the relevant detailed sections of this Report, which have been identified.

2.2 Comments on Ministry Operations

Transfer payments represent a major portion of the Province's operations. For the 1983 fiscal year, such payments amounted to $16.4 billion, or 73 per cent of the Province's total budgetary expenditure. In light of this, the Office is concerned with the accountability relationships between ministries and transfer payment recipients. Accordingly, section 3.2 of this Report summarizes, for major transfer payment programs, the current status of the accountability relationships, together with deficiencies and actions in process by the government and ministries to address the deficiencies.

Reference should also be made to section 3.18 of the Report, representing the results of an in-depth audit of the major operations of the Ministry of Tourism and Recreation. The audit criteria which were used to assess the controls and practices related to the objectives of this broad scope audit are also summarized.

A summary of our conclusions regarding the other sections of Chapter 3 is set out as follows:

Various Ministries, EDP Utilization

(3.3)
- Resulting from a survey of all ministries to determine the extent of EDP usage and related equipment and resources, very few ministries were able to provide all of the requested information.
- Policies concerning EDP set forth in the Ontario Manual of Administration needed to be updated and expanded.

Ministry of Agriculture and Food, Ontario Farmstead Improvement Program

(3.4) • The Program was not planned and managed with the intent of limiting expenditures to the $5 million initially allocated.

• There were well-designed procedures in place to measure and report on the effectiveness of the Program, although results as reported in a Ministry publication were misleading.

Ministry of Community and Social Services, Provincial Allowances and Benefits

(3.5) • Established policies and procedures on case documentation were appropriate, but were not being fully complied with.

Ministry of Consumer and Commercial Relations, Trust Company Takeovers

(3.6) • To March 31, 1983, two Management Board Orders had been issued authorizing amounts totalling in excess of $7.5 million to pay for the various services as required.

Ministry of Education, General Legislative Grants

(3.7) • Since program objectives for such grants were not established in writing, we could not determine whether satisfactory procedures were in place to measure and report on program effectiveness.

• Grants were generally administered by the Ministry with due regard for economy and efficiency.

• The audited financial statements received from school boards provided reasonable assurance that grants were spent to further educational objectives.

• The Ministry did not have procedures in place to assess whether school boards were operating with due regard for economy and efficiency.

Ministry of the Environment, Environmental Control Program

(3.8) • Deficits under many service agreements were much higher than forecast and could prove uncollectible.

• The accounts receivable system for utility service rate charges was time consuming and inaccurate.

• There were delays in the reimbursement of significant costs to two regional municipalities for operating water and sewage treatment facilities.

Ministry of Government Services, Construction of Accommodation

(3.9) • We reviewed a number of construction projects which had experienced delays ranging from several months to several years, or

had been completed but were deemed unsatisfactory in that they were non-functional or dysfunctional, hence contributing to a lack of economy and efficiency.

Ministry of Health, Operating Grants to Hospitals

(3.10) • Several initiatives had been implemented or were in course of implementation to strengthen the management controls and information systems over operating grants to hospitals.

Ministry of Health, OHIP Group Billings

(3.11) • Improved collection policies and procedures were required.

Ministry of Labour, Construction Health and Safety Branch

(3.12) • A number of steps could be taken to achieve additional economy within the branch.

• Although performance statistics reported from the field were reasonably good, branch management was not fully utilizing this information nor following up on apparent problems.

Ministry of Northern Affairs, Hornepayne Town Centre Project

(3.13) • The Province did not conduct a feasibility study prior to its participation in the project.

• The Province's share of the $11,660,000 contract price consisted of net grants of $3,704,000 together with $795,000 in present value of future lease payments.

• Delays in negotiating leases and occupying the public sector facilities resulted in the Ministry making payments of $338,000 with respect to unsigned leases for unoccupied premises.

• From a strictly financial aspect, as a return on investment to the taxpayers of the Province, the investment in the Town Centre would be difficult to justify.

Ministry of Revenue, Accounts Payable System

(3.14) • Overall internal controls associated with this system were satisfactory, although there was considerable scope for improvement in connection with the hiring of consultants and recruitment of systems personnel in Britain.

Ministry of the Solicitor General, O.P.P. Telecommunications Project

(3.15) • Estimated costs of this project have risen from $24.4 million in 1980 to approximately $70 million.

Ministry of the Solicitor General, Short Term Absences

(3.16) • There was a lack of control over absences for short term sickness regarding management employees of the Ministry. Such absences were significantly higher than those in other ministries.

Ministry of the Solicitor General, Ontario Police College

(3.17) • There was a lack of due regard for economy and efficiency in major areas of the College.

• Internal controls were generally inadequate and established policies and procedures were not always complied with.

Ministry of Tourism and Recreation, Agency of Record and Government Advertising

(3.19) • Continued selection of the incumbent Agency of Record would seem virtually unavoidable.

• For various reasons, the Government's reporting systems did not accurately disclose total advertising costs.

Ministry of Transportation and Communications, Vehicle Licensing and Registration

(3.20) • Internal controls were sufficient to ensure that cash reported by the banks as received from agents was properly transferred to the Consolidated Revenue Fund. However, controls were not sufficient to ensure that when licences were sold, all cash collected by the agents was actually deposited to the credit of the Province.

2.3 Comments on Crown Agency Operations

Concerns have been increasingly raised as to the accountability of incorporated Crown agencies to both the Legislature and the Government. For example, the Auditor General of Canada devoted one segment of his 1982 Annual Report to this subject, and the Ontario Standing Public Accounts Committee has held meetings in June and September 1983 dealing with this subject.

With this in mind, section 4.2 of this Report summarizes our views of the situation as it now exists in Ontario, including what we feel are the major issues relating to the accountability of such corporations in Ontario.

A summary of our observations regarding the balance of the sections in Chapter 4 is as follows:

Agencies, Boards and Commissions, Review Process

(4.3) • Despite the sunset review process, the number of agencies has increased.

The Crop Insurance Commission of Ontario, Premiums

(4.4) • Premium levels for certain crops were inadequate.

• The possibility of reinsurance with Canada should be actively pursued.

Liquor Control Board of Ontario, Management Controls

(4.5) • There were no processes in place for policy development and operational planning.

• There was a lack of due regard for economy in the areas of inventory and store development.

• Recruiting practices required improvement.

• Overall, management controls for the acquisition/construction of the warehouse were satisfactory, although consultants' supporting source records for payroll costs and reimbursable expenses were not audited by the Board.

• Internal controls reviewed were generally adequate, but non-compliance with Government policy on the private use of government vehicles was identified.

Liquor Control Board of Ontario, Computer Operations

(4.6) • Internal controls over the provision of EDP resources were adequate. However, standards, policies and procedures for monitoring the use of these resources were deficient.

• System development standards were adequately documented, although compliance therewith was deficient.

• Internal controls built into the application systems reviewed were satisfactory. We did, however, note a deficiency in documentation.

The Live Stock Financial Protection Board, Consulting Services

(4.7) • In our opinion, there was a lack of due regard for economy in connection with the engagement of consultants.

Ontario Lottery Corporation, Advertising

(4.8) • An advertising agency was selected without competitive bids.

• Subcontractors were selected without obtaining competitive bids.

• More effective advertising may have resulted by pretesting a new game feature of Wintario.

Ontario Place Corporation, Advertising

(4.9) • Advertising expenditures were not reduced as a result of Future Pod advertising funded by BILD.

Ontario Waste Management Corporation, Various Matters

(4.10) • There were irregularities, including the lack of competitive bids, in connection with the engagement of consultants.

• Editing and transcription services were not being obtained economically.

• New salary arrangements were made for the Chairman effective March 1, 1983.

• No action had been taken to recover salary overpayments noted during the course of our audit.

• Boardroom chairs were purchased at an excessive cost.

The Owen Sound Transportation Company, Limited

(4.11) • Improvements in economy and efficiency could be made regarding the operations of the M.S. Chi-Cheemaun.

3

COMMENTS ON MINISTRY OPERATIONS

3.1 Introductory Comments

Most of the comments contained in this segment of the Report pertain to audit observations and recommendations resulting from ongoing ministry audits and special reviews. The audits on which the comments are based were completed since the date of our last Report and are listed in Exhibit 6.

3.2 Accountability for Transfer Payments

For the 1983 fiscal year, transfer payments amounted to $16.4 billion or 73 per cent of the Province's total budgetary expenditure. The major recipients of transfer payments include hospitals, universities, municipalities and school boards.

In light of the magnitude of the payments, we are especially concerned with the accountability for the funds. In this connection, we believe the government has the responsibility for assuring that the funds are managed with due regard for economy, efficiency and effectiveness.

CLASSIFICATION OF EXPENDITURE

Government expenditure can be classified in two general categories, Own Account and Transfer Payments.

- Own Account expenditure represents the salaries and benefits paid to employees and other direct operating costs (travel, services, supplies, etc.) incurred by the government in delivering its programs. The interest incurred on the debt obligations of the Province (e.g. Province of Ontario debentures) is also included in this category.

- Transfer Payments represent:

  i) funds paid directly to Ontario residents (Income Support, Student Assistance) or to individuals (e.g. physicians, pharmacists) in payment of services provided to Ontario residents. Approximately 22 per cent of the transfer payments fall into this category.

ii) funds paid to intermediary organizations or bodies (hospitals, universities) for the purpose of providing services to the Ontario public. Approximately 78 per cent of the transfer payments fall into this category.

- The budgetary expenditure for the 1983 fiscal year may be summarized as follows:

		$ millions
Own Account		6,091
Transfer Payments		
i) Paid directly	3,560	
ii) Paid to intermediaries	12,858	16,418
Total Budgetary Expenditure		22,509

PROGRAM EFFECTIVENESS

It is the function of the government to develop and deliver programs to meet the needs of the Ontario public. Inherent in this function is the responsibility to establish clearly defined program objectives and to monitor the extent to which such objectives are achieved (program effectiveness).

ADMINISTRATIVE EFFECTIVENESS

The government must also be administratively effective. In other words, government has the responsibility to acquire and utilize necessary resources in an economic and efficient manner, and to ensure that these resources are adequately safeguarded and expended in accordance with relevant legislation and policy directives.

DIRECT VS INDIRECT CONTROL

The government has complete control over the funds allocated for own account expenditure and should have the means at its ready disposal to be fully accountable to the Legislature. The government is in a similar position with regard to transfer payments which are made directly to, or specifically on behalf of, members of the public.

Where the programs are delivered through intermediaries, the government does not have complete control over the process. For example, government can control funds allocated for the provision of health care in hospitals to the point that the funds are disbursed to the hospitals. From that point on the hospitals have control whether these resources are utilized effectively, economically and efficiently, and whether the funds are safeguarded and expended in accordance with relevant legislation and directives. In the absence of direct control, the government must seek required information and/or assurances by other means if it is to satisfy its responsibility to the Legislature.

ACCOUNTABILITY FOR PROGRAM AND ADMINISTRATIVE EFFECTIVENESS

The major recipients within the "intermediary" category of transfer payments are hospitals, school boards, universities and community colleges, and municipalities. The principal grants, together with the amounts paid during the 1983 fiscal year are listed below:

		$ millions
Operation of hospitals and related facilities		3,428
General legislative grants, elementary and secondary schools		2,661
Operating grants,		
Universities	1,036	
Community Colleges	394	1,430
Municipalities, Unconditional grants		614
		8,133

These grants in total represent 63.3 per cent of the intermediary category of transfer payments. Our comments on accountabilty with respect to the preceding grants follow. Further detailed comments on certain of these grants are contained in our 1982 Report and elsewhere in this Report:

Operation of hospitals and related facilities — section 3.10 of this Report.

General legislative grants, elementary and secondary schools — section 3.7 of this Report.

Operating grants, universities and community colleges — section 2.7 of our 1982 Report.

Section 6.7 of this Report also comments on the audit of transfer payments specifically with regard to the value for money issue.

Operation of Hospitals and Related Facilitiates ($3,428 millon)

The payment of grants for the operation of hospitals and related facilities is governed by the Health Insurance Act and the regulations made thereunder. Approximately 220 public hospitals and 130 related facilities such as private hospitals, treatment centres and mental institutions receive operating grants, but over 96 per cent of the funds go to public hospitals. The following comments apply mainly to public hospitals.

Current Status

- The Ministry of Health has processes in place to review and approve allocations to hospitals and monitor the expenditures related thereto.
- Reports received by the Ministry from the hospitals include audited

financial statements together with other financial and statistical returns relative to their operating expenditures.

- The Ministry also receives, compiles and publishes hospital statistics showing the utilization of services and care provided to patients. These annual reports include information on the volume of hospital care, trends in public hospital care, the distribution and occupancy rates of beds staffed and in operation, etc.

- Over 200 of the public hospitals in Ontario are accredited by the Canadian Council on Hospital Accreditation. The accreditation process includes a survey to determine whether the hospital meets standards established by the Council in such areas as the care of patients, organization and administration, direction and staffing, facilities and equipment, and quality assurance.

Deficiencies

- Although the Ministry now receives a large amount of information from the hospitals, and the accreditation process provides a broad indication of performance, further development of performance indicators is needed so that the Ministry can be reasonably assured that the operating grants are spent with due regard for economy, efficiency and effectiveness.

- To date, there has been little audit activity at hospitals in the value for money areas, either on the part of the public accounting firms who audit the financial statements or by the Ministry's internal audit branch.

Actions to Address Deficiencies

- Performance indicators derived from historical financial and operating data (for groups or similar hospitals) are being developed and tested by the Ministry's Institutional Operations Branch. The indicators will be used to compare each hospital's own performance over a three year period and also compare its performance with other hospitals in its group in areas affecting economy and efficiency.

- The funding process has been altered by introducing the Business Oriented New Development (BOND) plan. Previously, hospitals were funded on a budgetary basis with annual increases being provided for inflation, negotiated salary and wage settlements, and growth, depending on the availability of funds. Where actual operating costs, as evidenced by the audited financial statements, were less than the funds already allocated and paid by the Ministry, the Ministry recovered the excess from the hospital. Where actual

operating costs exceeded the Ministry's allocation, the hospital absorbed the difference. However, in many cases, upon request of the hospital, the Ministry funded the hospital's deficit, either partially or fully, depending on the availability of funds.

The main thrust of the BOND plan is to change the financial accountability relationship between the Ministry and each hospital. Hospitals will be allowed to retain any surplus on operations and will have to absorb any deficit. The Ministry believes the BOND plan will encourage hospitals to maximize their revenues (other than the operating grants) and achieve reductions in expenditure through economy and efficiency of operations without detriment to patient care.

- A pilot project being conducted by the Kingston General Hospital over a three year period is intended to provide a new basis for cost accounting and measurement of productivity in hospitals. Additional benefits expected from the project are relative to the measurement of effectiveness, including being able to:

  —identify differences in practices between hospitals; and

  —assess the rationality of hospital services and equipment on a district and provincial basis.

- The Ministry of Health in February 1983 established a Comprehensive Audit Steering Committee whose primary purpose is to develop an overall strategy and a reasonable methodology for the audit approach in hospitals.

  Prior to appointment of the Committee, two pilot projects had been undertaken at individual hospitals by consulting firms. In April, 1983, the Committee selected another three consulting firms to further test the application of the "Comprehensive Audit" concept in hospitals and assess its potential. The terms of reference for these assignments, which are to be completed by September 30, 1983, encourage a "top-down" approach to the concept by examining the organization of the hospital board, administration and medical staff. The firms are also to examine the relationship of the hospital to planning bodies and other health care institutions in the immediate area.

General Legislative Grants, Elementary and Secondary Schools ($2,661 million)

The conditions governing the payment of general legislative grants are prescribed by regulations made under the Education Act.

Current Status

- With respect to information on the effectiveness of the school system, the Regional Services Division of the Ministry carries out detailed reviews at school board and school levels, the results of which are used to:

  —review and assess program policy and development;

  —establish standards and norms of different phases of school operations so that all school boards have measurements for comparative purposes; and

  —report specific findings to individual school boards to highlight areas for improvement.

  Additionally, the Ministry has provided an option available to school boards for evaluation of their school systems with the assistance of Ministry and other expertise.

- Reports received by the Ministry from school boards include audited financial statements and other statistical information such as enrolment data, number of full time teachers and per pupil cost.

Deficiencies

- We understand that the statistical information received, although containing some basic data for assessing whether funds are spent with due regard for economy and efficiency, is not used for these purposes by the Ministry.

- The audited financial statements provide reasonable assurance that grants are spent to further educational objectives. However, the (external) auditors do not have a mandate to provide independent assurances to school boards, and to the Ministry, regarding economy, efficiency and effectiveness.

Actions to Address Deficiencies

- We have recommended that the Ministry:

  1. Use the information presently received from the school boards to develop performance measurement indicators.

  2. Request school boards to provide additional information for improvement of performance indicators.

  3. Examine the role that audit can play in providing independent assurances to school boards and to the Ministry regarding economy, efficiency and effectiveness.

Operating Grants, Universities ($1,036 million)

The enabling Acts for universities place financial responsibility with their governing bodies, usually a Board of Governors. The acts also give the governing bodies responsibility for the government, conduct, management and control of the universities. In this connection, the Deputy Minister, Ministry of Colleges and Universities, in March 1983 informed us in part that:

> "University governing bodies are, therefore, accountable only to the Legislature for the operation of their institutions. Presumably, this accountability includes the responsibility for ensuring that the universities are operated with due regard to economy, efficiency and effectiveness. However, this aspect of their accountability has never been set out by the Legislature nor has the Legislature established a means to specifically ensure that this responsibility is exercised."

Current Status

- The Ministry receives audited financial and enrolment statements from the universities as assurance that the grants have been used for operating purposes and that the weighted enrolment on which they are based has been verified.

- The Deputy Minister has advised us that the Ministry encourages universities to:

  —comment on how they exact accountability;

  —conduct operational reviews on a regular basis; and

  —report the results of the reviews to the Ministry.

- The Ministry has conducted studies and collected data, which it says demonstrates, as a whole, the economy and effectiveness of the total system. Examples cited are cost per student data and student/faculty ratios which are compared to those for other jurisdictions and to prior years. Periodic surveys of graduate placement achievement are also carried out.

Deficiencies

- The Ministry does not require the universities to report on how economically, efficiently and effectively the grants have been utilized.

Actions to Address Deficiencies

- In light of the Deputy Minister's previously quoted comments, the Ministry will continue to attach only two conditions to the

operating grants, namely that they be used for operating purposes and that the weighted enrolment be verified. However, the Ministry will continue to encourage universities to provide additional information.

Although not directly related to the foregoing deficiencies, Bill 42 (an Act to amend the Ministry of Colleges and Universities Act) has been introduced in the Assembly. This Bill, if passed and proclaimed, would require that no university incur in any fiscal year a cumulative deficit in its operating fund exceeding two per cent of its operating revenue for the year.

Operating Grants, Community Colleges ($394 million)

Pursuant to the Ministry of Colleges and Universities Act, the Minister has financial responsibility as well as responsibility for the maintenance, conduct and governance of the colleges. A Council of Regents provides the Minister with funding advice concerning operating grants. The colleges, each with a Board of Governors, have developed as semi-autonomous institutions.

Current Status

- The Ministry receives audited financial and enrolment statements from the colleges as assurance that the grants have been used for their intended purposes and that the enrolment upon which they are based has been verified.
- In addition to the audited statements, the Ministry receives and compiles a variety of statistical data. The Ministry's College Affairs Branch has started developing some measures of college efficiency from the data.
- A 1982 regulation provides for operational reviews to be carried out at the colleges in a manner approved oy the Council of Regents. The reviews are expected to encompass an examination of management controls and processes.

Deficiencies

- The Ministry needs further assurance that the funds are being used by the colleges with due regard for economy, efficiency and effectiveness.
- Terms of reference have not yet been established for the operational reviews at the colleges.

Actions to Address Deficiencies

- The Ministry has moved to strengthen the accountability process by:

—Developing further productivity (efficiency) standards from the statistical data available and having the standards accepted by the colleges.

—Appointing a task force (with Ministry and college members) to identify areas the colleges should be examining and to develop methodology which will assist colleges in carrying out operational reviews.

It is expected that the management systems at the colleges eventually will be capable of reporting productivity measurements which the Ministry's internal auditors can verify.

Unconditional Grants to Municipalities ($614 million)

Municipalities annually receive approximately $2 billion in operating and capital grants from some 14 ministries. The grants comprise over 17 per cent of the "intermediary category" of transfer payments. A major component thereof is unconditional grants, which all municipalities receive.

The Ontario Unconditional Grants Act and the regulations made thereunder govern the payment of unconditional grants to municipalities. These grants, which provide assistance towards the financing of municipal services, consist of per capita grants, resource equalization grants and support grants. The Act is administered by the Ministry of Municipal Affairs and Housing.

Current Status

- Accountability with respect to the financial affairs of a municipality as a whole is provided to the Ministry through audited financial statements. The Ministry also requires that the municipal auditor complete and return a municipal audit questionnaire dealing with expenditure and revenue control matters.

- Other data received by the Ministry include;

  —a municipal budget report used as a means of identifying potential long range problems and making fiscal projections for Provincial budget purposes.

  —a financial information return used to plan economic strategy, compare and evaluate performances of municipalities, and determine certain grant entitlements.

Deficiencies

- The information received by the Ministry is mainly financial. The Ministry does not request assurances that the municipalities are exercising due regard for economy, efficiency and effectiveness

with respect to the provision of municipal services. In this connection, we note that pursuant to section 3 of the Municipal Affairs Act, the Ministry may prescribe the manner in which all funds and moneys are accounted for as well as the reports, returns and statements to be furnished by the municipal auditors.

- The report of a 1982 study commissioned by the Ministry on accountability noted the general lack of meaningful performance indicators in municipal government. The report indicated that better management, higher efficiency and improved accountability would result from the use of performance indicators.

Actions to Address Deficiencies

- In September 1981, the Ministry published and distributed (to municipalities) an advisory booklet entitled "Performance Measurement for Municipalities". The booklet discusses performance measurement in the context of efficiency and effectiveness in the services provided and notes that their evaluation is an essential ingredient in improved management. Distribution of the booklet was accompanied by a Performance Measurement Manual and Catalogue developed by the City of Thunder Bay in association with the Ministry.

- Phase 2 of the aforementioned 1982 study will address key questions on the conduct of audits in municipalities including the extension of such audits to examine operational as well as financial accountability.

- The Ministry also supports a three-year "Municipal Action" program whereby it funds individual municipal projects aimed at increasing productivity, improving cost effectiveness and refining staff expertise.

TASK FORCE ON THE AUDITING OF ONTARIO GOVERNMENT TRANSFER PAYMENT RECIPIENTS

In early 1982, Management Board of Cabinet established a senior level interministerial task force to address the auditing of transfer payment recipients.

In its report of March 1983, which is being reviewed by the government, the task force recognized that audit is a process superimposed on an accountability relationship to provide assurance that information is appropriately disclosed and fairly presented. The task force suggested that the auditing of recipients be broadened to include the evaluation of management controls — those concerned with economy, efficiency and effectiveness — so that the need for assurance in this regard can be met.

Other recommendations dealt with ways to achieve greater consolidation and coordination of audits.

The task force also emphasized the dependence of effective auditing on a clear statement of the objectives which the recipients are accountable for achieving with the funds. The task force felt that objectives should reflect the expectation by the Province that recipients will manage their operations with due regard for economy, efficiency and effectiveness. The report noted that in some cases, while the purpose for which funds are intended to be used may be specified, the expected results are not stated and therefore auditing can be of only limited assistance.

Of special interest is the task force's assumption that the Provincial taxpayer expects ministries to account for funds which they provide to transfer payment recipients, even though the responsibility for program delivery and related spending decisions generally rests with the recipient organizations.

COMMENTS AND CONCLUSIONS

As stated at the outset, we believe it is the responsibility of the government to assure that the funds provided in the form of transfer payments are well managed, that is, spent with due regard for economy, efficiency and effectiveness. We are pleased to see that the Task Force on the Auditing of Ontario Government Transfer Payment Recipients supports this position. We are also pleased to see that the government generally has accepted, and is seeking ways to better fulfill, this responsibility.

While much needs to be done to improve the accountability processes between the government and the recipients of transfer payments, we are encouraged by what we have seen to date. The emphasis which has been placed on performance measurement in municipalities by the Ministry of Municipal Affairs and Housing is particularly noteworthy. We would expect that these initiatives will lead to the development of measures against which the municipalities will be able to compare their performance and report key results to the Ministry. Also, while it may be some time before methodology is developed to provide assurances as to the economical, efficient and effective operation of hospitals, the pilot studies being undertaken should provide beneficial information.

We recognize that administrative action alone will not be sufficient to achieve desired improvements in accountability. Some important underlying policy issues must also be addressed. A case in point is the autonomy of universities in Ontario. The Ministry of Colleges and Universities feels that university governing bodies are accountable only to the Legislature. We believe, however, that universities should provide verifiable assurances to the Ministry with regard to the economy, efficiency and effectiveness of their operations regardless of autonomy considerations.

3.3 Survey of EDP Utilization in Ministries

During the past year this Office conducted a survey of all ministries to determine the extent of EDP usage and the specific equipment, systems, personnel and communications that were being employed. The primary reason for conducting this survey was to gather information that would assist us in determining the EDP audit universe as an aid to planning our future EDP audits.

RESULTS OF THE SURVEY

In the course of conducting this survey we talked with personnel from the Management Technology Branch (MTB) of the Management Board Secretariat who advised us that they were not completely aware of what EDP resources were in use in the ministries. It also became evident as the survey progressed that the "EDP Investment" figures prepared by the various ministries and published annually by MTB could be misleading since all EDP resources usage was not accounted for.

We encountered great difficulty in determining who to contact at the various ministries in order to obtain complete information about ministry wide data processing activities. Even in those ministries that had designated Systems Branches it was only in isolated cases that they were able to provide us with a complete picture of EDP usage within their ministry.

In most ministries the Systems Branch personnel were able to provide information for those branches of their ministry that used the services of the Systems Branch. If there were other branches that used external service bureaus, or were operating and/or maintaining their own EDP systems and installations, then the Systems Branch may or may not have been aware of them.

This situation was more prevalent in ministries that used data processing in specialized activities such as research, scientific applications, specialized accounting functions, etc. In the majority of these instances personnel either programmed their own applications or purchased equipment, packages and assistance from outside sources. Since the cost of providing most of these services on an individual basis was below the dollar value set under the Management Board approval criteria and assistance was not required from the System Branch personnel, the cost figures were probably not included in those submitted to Management Board for compilation of the "EDP Investment" statistics.

This mode of operation raises significant concerns regarding internal controls over the security of equipment and data, costs, standards, duplication of programs, back-up and other matters concerned with the use of EDP.

REPORTING OF RESULTS

On February 25, 1983 we wrote to the Secretary, Management Board of Cabinet outlining the problems we encountered with the survey. In addition, we noted that the current policies concerning data processing set forth in the Ontario Manual of Administration needed to be updated and expanded. These policies were issued during the period from 1976 to 1978, and rapid advances have been made in the EDP area since that period. We felt that guidance should be provided in a wide variety of areas including data administration, data base administration, distributed data processing, communications networking, control over EDP expenditure and maintenance of system software catalogues.

ACTIONS TO ADDRESS CONCERNS

On May 31, 1983 the Secretary, Management Board of Cabinet advised us that "during the last four months I have been addressing many of the ideas in your letter through the Technology Directions Committee, who have now agreed to develop a 'Strategy For the Use of Information Technology in the Ontario Government'. This strategy will be the framework for future policy developments . . .".

On June 1, 1983, the Director of this Office's Specialized Audits and Resources Branch met with the Director of the Management Technology Branch, Management Board Secretariat, and was advised of the following developments:

- The Secretary, Management Board of Cabinet and the Director, Management Technology Branch had met with each Deputy Minister personally over the past three months to discuss data processing concerns generally and how the government should proceed.
- These meetings resulted in the formation of an Information Management Sub-Committee. This group was to meet once per week for six weeks commencing in late June in order to design an approach to dealing with, and a process for resolving, the various concerns raised. Hence, the Sub-Committee would assist in the development of the overall Strategy For the Use of Information Technology in the Ontario Government.
- Certain of the data processing policies contained in the Ontario Manual of Administration were in the process of revision, others were expected to be revised later in the year, and others (including new sections) are dependent on the outcome of the Strategy.
- The Management Technology Branch was currently reviewing issues such as office automation, EDP-oriented senior executive education, and systems staffing.

- The data used to compile the "EDP Investment" information on an annual basis was being re-examined.

3.4 Inadequate Planning re Ontario Farmstead Improvement Program, Ministry of Agriculture and Food

One segment of an audit of the Ministry dealt with the Ontario Farmstead Improvement Program and included assessments of:

(a) whether the Program, which ultimately cost $13.3 million, was planned and managed with the intent of restricting expenditures to the $5 million originally allocated, and

(b) whether adequate procedures were in place to measure and report on the effectiveness of this Program in creating short term jobs.

The conclusions and major findings resulting from this audit were as follows:

(a) The Ministry did not plan and manage the Program with the intent of limiting expenditures to the $5 million initially allocated.

- **Confusion resulted when the $5 million allocation was reached within a few weeks of the Program being announced, whereas the Program advertising clearly indicated a December 31, 1982 deadline for the receipt of grant applications.**

(b) There were well-designed procedures in place to measure and report the effectiveness of the Program to Management Board of Cabinet. However, results as reported in a Ministry publication were misleading.

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

In the May 13, 1982 Ontario Budget the Treasurer announced a $5 million Farmstead Improvement Program to create jobs in farming communities by providing grants to farmers to improve their farms. The Program was to be funded by the Board of Industrial Leadership and Development (BILD) and was to be administered by the Ministry of Agriculture and Food. Grants were provided to farmers for fifty per cent of eligible farm improvement expenditures to a maximum of $2,000 per farm operation. The Program was officially terminated on July 30, 1982 and grants of approximately $13.3 million had been disbursed to March 31, 1983.

Program Planning and Management

a) Program Design

In April 1982 the Ministry developed the Ontario Farmstead Improvement Program in response to a request from the Ministry of Treasury and Economics for a job creation proposal with an expected funding cost of $5 million. **While we acknowledge that the Ministry was under certain time constraints, we felt that it should have been evident to the Ministry that the required funding for this Program would be well in excess of $5 million.** For instance:

—the Ministry's publication "Agricultural Statistics for Ontario 1981" stated that there were approximately 50,000 farms where value of production exceeded $10,000 or close to the $12,000 eligibility criteria for grants. Also, there were another 32,000 farms whose production was less than $10,000 yet some of these farms could still qualify for the grant if the size of the farm exceeded 100 acres.

Accordingly, assuming that, say, 50,000 farms were eligible, a grant acceptance ratio of only 5% (2,500 farms) would have depleted the budgeted funds if all applicants claimed the maximum grant.

—statistics were available which indicated farmer acceptance on other cost sharing grant programs such as Tile Drainage were significantly higher than 5%.

—we understood that selected local Ministry agricultural representatives were not contacted to get an indication of anticipated acceptance within the farming community of such a program. We felt that given the broad project eligibility criteria — new and replacement fencing, painting and restoring barns, etc. and the generous cost rebate — 50%, that an informed estimate of the acceptance ratio was critical to ensure program expenditures were within the $5 million range.

While we agreed care would have had to be taken as the Budget had not been announced, we felt the consequence of materially underestimating the acceptance rate and hence, total program expenditures, warranted obtaining further information.

b) Program Advertising

When initially announced in the Budget, the Program had a total budget of $5,000,000 with the intent that once these funds ran out, the Ministry would stop accepting applications from farmers. In reviewing newspaper advertisements we noted that the text stated that the "deadline for applications must be date-stamped

no later than December 31, 1982". Also, the advertising posters stated the grant would apply to "the cost of work done in 1982". There was no mention of a maximum budget available, giving the impression that there was no rush to apply.

Also, on June 2, 1982, the local agricultural representatives were advised by the Ministry to "continue to promote the program and solicit involvement regardless of the budgetary position . . ., it would be preferable at this stage that applicants not be discouraged because of budget limitations."

On July 23, 1982, local agricultural representatives were informed that applications would not be accepted after July 30, 1982. This information was released to the press on July 26, 1982.

We believe that the advertising and the Ministry's position clearly gave the farming community the impression that there was no limit to the amount of program funds available. For instance:

—Approximately $11 million of applications had been filed by July 21, 1982. When the farming community learned there was a July 30th deadline a further $10.7 million of applications were filed by the July 30th deadline.

—The Ministry received numerous complaints from farmers who thought they had until December 31, 1982 to apply for the grant.

In future, where programs are established with a clearly defined funding limit, we recommended that the Ministry ensure the program advertising clearly communicates this to the farming community.

Measurement of Program Effectiveness

a) Measuring and Reporting Program Effects

In our opinion, the procedures used to measure the Program's effectiveness in creating short term jobs were well-designed. The Ministry maintained a detailed record of the labour portion of grants paid and reported the number of short term jobs created to the Management Board of Cabinet.

b) Reporting to the Public

The August 1982 issue of the Ministry's Agri-Notes publication noted that the Program had been an overwhelming success. Specifically, it stated that "Farmstead Improvement *resulted in* more than 217,000 days of work . . . . and created $54 million worth of farm improvement projects."

These figures were based on the applications filed by the farmers as of July 30, 1982 and most of the projected expenditures had not even been spent at that time. In actual fact, only $34.2 million of farm improvements and approximately 189,000 days of work were created by the Program by March 10, 1983.

We were of the opinion that the Ministry should have made it clear that the reported figures were based on the filed applications and represented the maximum potential program results.

On July 5, 1983 the Deputy Minister wrote to us as follows:

Program Advertising

> *"We agree that the funding allocated to assistance programs should be included in the program announcements. In fact, this procedure was followed when the latest Ministry program was announced."*

Reporting to the Public

> *"We agree that the August 1982 'Agri-Notes' should have explained that the figures quoted were based on the Notices of Intent and therefore represented the maximum impact possible."*

3.5 Inadequate Monitoring and Reporting Procedures re Provincial Allowances and Benefits, Ministry of Community and Social Services

We assessed the appropriateness of Ministry procedures for monitoring and reporting on the completeness and accuracy of case file documentation to ensure adequate support for payments of Provincial allowances and benefits.

Based on our audit, we concluded that established policies and procedures on case documentation were appropriate, but were not being fully complied with.

- **Monitoring and reporting procedures by regional and area offices were weak.**
- **Documentation was incomplete in 25 per cent of the case files examined at two local offices, resulting in a lack of control over recipients' entitlement to benefits.**
- **Statistical information of the Ministry indicated that over 10 per cent of the 130,000 active cases did not have current documentation on file.**
- **During years 1981 through 1983, overpayments recorded on active cases were $8.6, $9.9 and $11 million which averaged approximately 2 per cent of the allowances and benefits paid during each of these years. While this was a small percentage in relation to the total payments, the dollar amount of such overpayments was substantial.**

We were not aware of whether the Ministry had determined, on the basis of an analysis of costs and benefits, a level of overpayment which was acceptable.

- **Overpayments outstanding on active and inactive cases at March 31, 1983 were $19 and $37 million respectively. Recoveries made in the 1983 fiscal year on these cases were $84,000 and $210,000 respectively.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The goal of the Provincial Allowances and Benefits Program is to assist the long-term economically disadvantaged in the maintenance of a reasonable level of income relative to economic trends. At the same time efforts are made to minimize the number of persons requiring this assistance by the introduction of programs that help people become gainfully employed. Provincial Allowances and Benefits payments are made under the authority of the Family Benefits Act and related regulations. For the 1983 fiscal year, such payments were $614 million. These costs are shared 50:50 with the Federal Government under the Canada Assistance Plan.

The Ministry delivers the program through an organizational network composed of the head office, 4 regional offices, 13 adult area offices and approximately 70 local offices. Resources for staffing local offices are allocated on the basis of 250 cases per case worker and a staffing ratio of one supervisor to six case workers with the support of two clerical staff. In addition there are Eligibility Review Officers and Retroactive Budget Clerks at the local offices. As at June 30, 1983 there were approximately 520 case workers and 130,000 active cases.

Case Monitoring

Case workers are the primary representatives of the Ministry in its dealings with clients and a consistent and fair application of the eligibility rules of entitlement is essential by all case workers. To achieve this objective, case worker files and decisions should be monitored.

Under the Toronto area office are 4 local offices, each handling approximately 8,000 cases. We reviewed the North West Toronto local office.

Supervisory staff at the North West Toronto office approve all input to the computer which involves a change in the amount of benefits. **However, there was no independent review of case files by the area, regional and head office to ensure that case file documentation was current and fully supported benefits being paid.** The decentralization of the program resulted in much of the decision

making process being delegated to the case worker. As previously noted, there were 520 case workers; therefore, an effective monitoring practice is essential.

Our discussions with senior management of the Ministry on this subject indicated that the Ministry was aware of the situation and was in the course of taking remedial action.

Benefit File Maintenance

Procedures of the Ministry require that an applicant's circumstances be confirmed by case workers to ensure the eligibility of the applicant to receive benefits. In addition the status of continuing clients is maintained by the requirement that Present Condition Reports be filed at least on an annual basis. **Statistics produced as at May 18, 1983 indicated that over 10 per cent of the files did not have current documentation to support benefit payments.**

We selected a sample of 32 payments made between September 1982 and May 1983 and reviewed the applicable files in the North West Toronto and Burlington Offices. **Evidence that confirmation of applicants' circumstances had been carried out was not apparent on 8 (25 per cent) of the files.** Since the amount of benefit entitlement depends upon the applicant's situation, such documentation is essential to support the amount paid. Although our review of files was small and restricted to two offices, it did indicate a significant occurrence of potential overpayments and underpayments.

In addition, changes to recipients' circumstances require a file review by the case worker. Retroactive adjustments are calculated as necessary. When fraud is suspected, files are subject to further investigation. We examined the two types of reviews at the North West Toronto local office and found a backlog of 39 files for fraud review and 319 files for retroactive adjustments.

We were advised that an Income Maintenance Workload Study Committee had been established to study and make recommendations regarding the optimal management of work load within the available resources.

Overpayments

As at March 31, 1983 recorded overpayments to recipients totalled $57 million. This amount was divided between active and inactive cases of $19 and $37 million respectively. A further $1 million represented overpayments on active cases due to administrative errors. The policy of the Ministry is not to recover overpayments caused by administrative errors.

During the years 1980 through 1983 a total of $3.8 million was written off as uncollectible. The portion of this amount which related to

administrative errors was not readily available from the Ministry. However, we understood that this was about 25 per cent ($.95 million).

Active cases are those cases which are currently receiving benefits. Inactive cases are those cases which have had benefits terminated due to a change in the recipient's circumstances.

During the years 1981 through 1983 overpayments recorded on active cases were $8.6, $9.9 and $11 million which averaged approximately 2 per cent of the allowances and benefits paid during each of these years. Based upon this trend, the projected recorded overpayments for the next year is approximately $13 million.

While 2 per cent is a small percentage in relation to the total payments, the dollar amount of such overpayments is substantial. Further, we were not aware of whether the Ministry had determined, on the basis of an analysis of costs and benefits, a level of overpayment which was acceptable.

Overpayments on active files are recovered by deducting up to 5 per cent of the current entitlement dependent upon the effect such deductions would have on the recipient. Recoveries made in the 1983 fiscal year were approximately $84,000 according to records made available to us.

During the years 1981 through 1983 active cases involving overpayments of $7.2, $8.4 and $7.5 million respectively became inactive as recipients were no longer in receipt of benefits. Collection procedures on these overpayments consist of two letters issued approximately 2 months apart to the debtor requesting payment. We were advised that additional staff had been assigned to initiate more thorough follow-up action of overpayments on inactive cases. Recoveries made in the 1983 fiscal year were approximately $210,000 according to available records.

In the light of the preceding comments on Case Monitoring, Benefit File Maintenance and Overpayments, we recommended that:

1. Effective monitoring and reporting procedures be developed to ensure an appropriate level of management control over Provincial Allowances and Benefits payments.
2. File maintenance at local offices be improved to ensure documentation is current and supports payments made under this program.
3. Information/Statistics be collected on causes of payment errors which can be used to take preventative action to minimize the occurrence of overpayments.
4. In view of the rate of collection, the Ministry reevaluate the collectibility of these receivables.

Internal Audit Coverage

Before commencing our field work, we reviewed the activities of the Ministry's Operational Evaluation and Audit Branch in this area. The Branch had completed an audit of financial and administrative controls in connection with General Welfare Assistance, which amounted to $357 million for the 1983 fiscal year.

Findings which we considered significant were:

—Client case files revealed that the periodic reviews to determine continued eligibility and entitlement of General Welfare Assistance were not done consistently.

—There was inadequate monitoring of case files by examiners.

—Input data submitted to the computer terminal operator for processing were not independently checked against output.

—Recipients' files at a sub office were easily accessible to non authorized personnel during or after office hours.

The following reply was received from the Deputy Minister on September 30, 1983:

Case Monitoring

"The Provincial Allowances and Benefits program, administered directly by the Ministry, is major both dollar-wise and quantitatively (number of transactions processed annually). The legislation is complex to interpret and administer, the program is very sensitive to public opinion and the clientele supervised is diverse and scattered across the Province in both urban and rural areas. Due to the complexity of the program the decentralization of the administration of FBA has of necessity been undertaken in a phased approach with the final transfer of files and responsibility for processing of applications only completed at the end of 1982/83. As noted in the audit report, the Ministry is aware that certain central monitoring functions are not yet in place and we are in the process of taking action as part of the completion of the decentralization."

Benefit File Maintenance

"The audit report notes findings in two areas:

—Lack of confirmation of change in applicant's circumstances in 8 of 32 files sampled.

—Overdue Present Condition Reports and follow-up action on cases.

"In addition to the workload pressures created by the transition to a decentralized delivery system, the Ministry has also experienced a significant increase in the FBA caseload particularly in the period December 1982 to July 1983. The processing of new applications has a priority with the case workers and thus the present backlog has resulted. The Ministry expects that this situation will improve as the increased workload pressures ease and in addition has undertaken a formal Workload Study to determine how the workload can be most effectively handled within the available resources.

"In addition, as a clarification of the outstanding cases for follow-up, it should be noted in many cases the action required by the case worker is to be followed by action by an external party. The case workers in practice having taken the necessary action leave the item on the system as a reminder rather than establishing a new follow-up date for the response. This practice results in the reporting of follow-up overdue when in fact the case workers have undertaken the action required on their part."

Overpayments

"The report notes that the Ministry has experienced overpayments equal to approximately 2% of total annual payments under the program. It is mandatory that recipients report any change in circumstance immediately as adjustments either positive or negative are effective the month in which the change occurs. Thus overpayments arise if there is any delay in the reporting of a change in circumstance including situations where the report does not reach the Ministry before the cut-off date in the current month for the processing of the cheques.

"Under these circumstances it is recognized that some overpayments are inevitable. In fact this was recognized by Canada in 1972 when overpayments were accepted as shareable under the Canada Assistance Plan. Reviews by federal officials of the Ministry's process have not identified any concerns with the Ministry's approach to minimizing overpayments or to the recovery of overpayments. At present we understand that Ontario's experience is not out of line with the experience of other Provinces.

"With respect to the overpayment and recoveries the following should be noted:

— With the introduction of the new computer system to support FBA and GWA in 1984/85, recipients will receive with each cheque a reminder of their obligation to report any change in circumstance.

In addition, the new system will allow for an extension of the cut-off-date each month by an extra two days.

— The levels of recoveries from active cases reflects policy of the Ministry to recover overpayments at a maximum of 5% of each monthly cheque recognizing the limited financial circumstances of recipients.

— With respect to inactive cases, the Ministry earlier this year assigned additional staff to take further follow-up action with those cases which did not respond to the Ministry's correspondence.

"The above reflects the Ministry's interest in ensuring that this program be managed as effectively as possible and in keeping with that interest we will continue to review our process and procedures to see if further actions can be taken to minimize the overpayments incurred."

3.6 Investigation and Takeover of Trust Companies, Ministry of Consumer and Commercial Relations

The Loan and Trust Section of the Financial Institutions Division of the Ministry is basically responsible for regulating and monitoring loan and trust companies incorporated in Ontario.

On January 7, 1983 the Ministry, through this Section, took control of three trust companies in the belief that, among other things, there existed a practice or state of affairs within these companies that was or would have been prejudicial to the public interest or to the interests of the companies' depositors, creditors or shareholders.

The Ministry purchased the services of consultants and legal firms for the purposes of:

— performing a special inquiry with respect to the provision of mortgages for apartments by the three trust companies;

— operating and managing the businesses of the three trust companies and preparing reports on their findings.

In addition, the Minister established a Steering Committee to oversee all matters pertaining to the takeovers and had the Director of the Policy and Planning Branch, assisted by the Ministry's Audit Services

Branch, perform an administrative procedures review of activities in the Financial Institutions Division related to the adminstration of the Loan and Trust Corporations Act.

During the period under review, two Management Board Orders authorized amounts totalling in excess of $7.5 million to pay for the various services as required. As at March 31, 1983 approximately $6.5 million was paid to twelve private sector consultants and consulting and legal firms.

In June 1983 a draft report on the review of the Loan and Trust Section by the Director of the Policy and Planning Branch, assisted by the Ministry's Audit Services Branch, was in the process of being submitted for review by the Minister. In addition, investigations conducted by private sector consulting and legal firms were continuing.

We understood that the Steering Committee would be summarizing all recommendations in a "white paper" for the Minister.

3.7 Deficiencies in Accountabilty Process re General Legislative Grants, Ministry of Education

We reviewed General Legislative Grants, which totalled $2.66 billion for the 1983 fiscal year. Our objectives were:

(a) To assess whether:

  (i) satisfactory procedures were in place to measure and report on program effectiveness, and

  (ii) grants were administered by the Ministry with due regard for economy and efficiency.

(b) To assess whether the Ministry had satisfactory procedures in place to ensure that grants are spent by the school boards:

  (i) to further educational objectives, and

  (ii) with due regard for economy and efficiency.

Our conclusions were as follows:

(a) (i) **Since program objectives of the General Legislative Grants were not established in writing, we were unable to determine whether satisfactory procedures were in place to measure and report on program effectiveness.**

- **The ability of some school boards to spend more per pupil than other school boards was incompatible with an implied grant program objective, namely, equality of educational opportunity.**

(ii) Generally, grants were administered by the Ministry with due regard for economy and efficiency. However, the ceiling of ordinary expenditures per pupil was determined as an increment of prior year expenditures.

(b) (i) The audited financial statements received from school boards provided reasonable assurance that grants were spent to further educational objectives.

(ii) The Ministry did not have any procedures in place to assess whether the school boards were operating with due regard for economy and efficiency.

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Types of Grants

General Legislative Grants are made under Regulation 197/82 of the Education Act. Two types of grants are received by the school boards from the Ministry:

(i) "Ordinary expenditures" are the contribution of the Ministry towards a portion of the total operating costs of educating the students, such as teachers' salaries and maintenance costs. The Ministry designates the maximum amount it will contribute per pupil.

(ii) "Extraordinary expenditures" are costs which are not common to all school boards and must be approved by the Ministry on either a project or formula basis. For example, capital expenditures and debt charges are authorized when a project is accepted while pupil transportation costs are approved according to a formula.

Grant Sharing Calculation

Costs of education are shared by the Ministry and the municipalities. On the average, the Ministry shares approximately 50 per cent of the total costs.

Parties Involved in the Grants Process

In Ontario there are approximately 200 school boards and they can be categorized into Boards of Education, Combined Roman Catholic Separate School Boards and Other School Boards. Each school board is administered by its publicly elected trustees and communicates with the Ministry via the Ministry's six Regional Offices.

Grants Process

Basically, the grants process entails the following:

(i) Estimates

Before the estimates for the year (January to December) are received, the Ministry pays the school boards a monthly grant payment based on their previous year's grant estimates. Usually, in March or April, the school boards submit to the Ministry their estimates of enrollments, revenues and expenditures for the current year. After the estimated data are reviewed, the estimated figures are used to produce the grant amounts due to the individual school boards. The Ministry then revises its monthly payment schedules to conform to the amounts calculated for the individual school boards. In October, based on the details of enrollment and staffing for the new school year, the original estimates may be revised. Subsequent grant payments are made based on the revised estimates.

If actual expenditures per pupil are less than the designated maximum amount established by the Ministry, the lesser amount is paid. Accordingly, overpayments could arise so a 7 per cent holdback is made.

(ii) Financial Statements

In March or April of the following year, the school boards submit to the Ministry their audited financial statements for the previous year together with a final grant calculation based upon the data.

Based on this information the Ministry pays any grant balances due. A final adjustment will be made after the audited financial statements are reviewed extensively by the Regional Offices and by Grant Services of the Financial Services Branch.

Grant Program Objectives

Our review indicated that although objectives of the Grant Policy Branch had been stated in writing, no program objectives for the General Legislative Grants had been so established. An implied program objective of the General Legislative Grants according to Ministry staff is to provide equal educational opportunity for all pupils with an equitable tax burden on the ratepayers in the Province. **In this regard, the Ministry has recognized that school boards in municipalities capable of raising more property taxes than other school boards would be able to spend more on their pupils.** This is so because more funds would be available to these school boards to offset any pupil costs not

funded by grants provided by the Ministry. We understood that the Ministry was reviewing the matter.

We recommended that:

(i) the program objectives of the General Legislative Grants be established in writing,

(ii) satisfactory procedures be put in place to measure and report on program effectiveness.

Grant Administration

Generally, we concluded that grants were administered by the Ministry with due regard for economy and efficiency. However, we noted that the maximum ceiling of ordinary expenditures per pupil designated by the Ministry is determined as an increment of prior year expenditures.

We recommended that the General Legislative Grants ceiling per pupil be determined as an evaluation of needs and not as an increment of prior year expenditures.

Accountability for Grants

In our opinion, it is the responsibility of the Ministry to ensure that grants provided by the Ministry are spent by the school boards to further educational objectives and with due regard for economy, efficiency and effectiveness. This responsibility can be fulfilled by the reporting of results information and an expanded audit role.

Reports received by the Ministry from school boards include audited financial statements and other statistical information such as number of enrollment, number of full time teachers and per pupil cost by school board.

The audited financial statements received provide reasonable assurance that grants were spent to further educational objectives. However, we noted that the external auditors do not have the mandate to review whether funds were spent with due regard for economy, efficiency and effectiveness.

We understood that the statistical information received, though containing some basic data for assessing whether funds were spent with due regard for economy and efficiency, was not used for these purposes by the Ministry.

With respect to information on the effectiveness of the school system, we noted that the Ministry carries out detailed reviews at school boards and school levels, the results of which are used to:

— review and assess program policy and development;

— establish standards and norms of different phases of school operations for comparison with other school boards; and

— highlight areas for improvement by school boards.

Additionally, the Ministry has provided an option available to school boards for evaluation of their school systems with the assistance of Ministry and outside expertise.

We recommended that the Ministry:

i) Use information presently received from the school boards to develop performance measurement indicators.

ii) Request school boards to provide additional information to improve on performance indicators.

iii) Examine the role that audit can play in providing assurance as to the accuracy and fairness of the information reported and that resources are managed with due regard to economy, efficiency and effectiveness.

The following response was received from the Deputy Minister on September 23, 1983:

Grant Program Objectives

> *"The GLG is a funding mechanism used to finance educational programs. At the present time, program objectives are established in writing by the branches that administer the educational programs.*
>
> *"Educational program objectives are regularly reviewed and updated.*
>
> *"Provincial reviews and cooperative reviews are used annually to measure program effectiveness of schools and school systems. As is the case . . . above, these provincial evaluation programs are also reviewed and revised regularly."*

Grant Administration

> *"Ceilings are determined as an increment of the prior year's ceiling, not expenditure. The ceiling reflects increases due to inflation. It is believed that the system currently used is a form of constraint with due regard to economy and more appropriate than using actual school board expenditures or proposed needs as a benchmark. The latter method would place the Government in the position of following the lead of school boards."*

Accountability for Grants

> *"It should be noted that a school board is an elected body*

representing ratepayers. This elected body has the responsibility to provide an educational program to meet the needs of children resident in a board's jurisdiction.

"In general, it is felt that . . . consideration should be given to the fact that educational programs are delivered through third parties (school boards). It appears that your (second) audit objective is more applicable to school boards who are responsible for the delivery of programs. Steps have been taken in recent years by the Ministry of Education to ensure that school boards report publicly. It may be possible to provide an increased emphasis in these already established reporting mechanisms on economy, efficiency and effectiveness."

3.8 Operating and Other Deficiencies, Environmental Control Program, Ministry of the Environment

During the year, we completed an audit of the Plant Development and Construction and Plant Operations Activities of the Ministry's Environmental Control Program. Expenditures of the Plant Development and Construction and Plant Operations Activities for the 1983 fiscal year were $183.4 million and $62.2 million respectively, representing 71.9 percent of the Ministry's total expenditure.

The major findings resulting from this audit were as follows:

- **Deficits under many service agreements were much higher than forecast and may prove uncollectible.**
- **The accounts receivable system for utility service rate charges was time consuming and inaccurate.**
- **There were delays in the reimbursement of significant costs to two regional municipalities for operating water and sewage treatment facilities.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The major portion of Ministry expenditures relates to the construction and expansion of sewage and water treatment plants, thus assisting municipalities in solving public health and environmental pollution problems, resolving water supply problems, and increasing the supply of serviced lots. The investment in such facilities constructed by Ontario was $1.1 billion as at March 31, 1983.

The financing of plant construction and distribution systems has progressed through three main phases:

1) Ministry/Municipal Joint Projects — The provincial investment in these projects is repaid by municipalities via annual contributions to a sinking fund or by blended amortization payments of principal and interest. In some cases these plants are operated by the Ministry with such costs being recovered quarterly. On repayment of the capital debt, the ownership of the plant is transferred to the municipality.

2) Provincial Projects — These projects, which were initiated in the late 1960's, are financed and owned by Ontario in perpetuity. The capital and operating costs are recovered by charging water or sewage rates to the municipalities.

3) Direct Grants — Effective April 1, 1978 the Ministry undertook to convert its existing methods of financing capital construction to a direct grant program. Under this program any municipality may apply to construct or expand a facility or distribution system. Dependent upon the eligibility and priority of the works, grants of up to 75% of project cost net of other subsidies may be made to a municipality whose population does not exceed 7,500, while grants of 15% of net project costs may be made to municipalities whose population exceeds 7,500.

Plant operations are administered through six regional offices, each of which reports directly to the Assistant Deputy Minister, Regional Operations Division. Expenditures of this Activity comprise primarily salaries and wages of plant operating staff, chemicals, power and plant maintenance. In addition, the operating expenditures of certain provincial plants which are operated by municipal staff under agreement with Ontario are charged to this Activity.

Utility Service Rates

Ontario has entered into agreements with municipalities to provide them with water and sewage service. The agreements allow the Ministry to set rates and conduct rate reviews at specified periods in order to recover the cost of providing these services.

The service rates are calculated using the computerized Utility Rate Information System which stores historic and forecast data on population, flows, operating costs, debt service costs and the surplus or deficit position of a project. The service rate is calculated such that over a moving twenty year break even period, forecast revenues match forecast costs. After the original rate has been set it is generally reviewed after two years, again at the end of a further three year period and every five years thereafter.

The deficits in many projects were increasing at a fast rate because forecasts of revenue based upon population growth and flows had been overly optimistic, and inflation had not been allowed for in the forecast of operation costs. In addition, when actual deficits are in excess of forecast, interest charges on accumulated deficits are correspondingly higher than forecast.

We selected 28 provincial projects operating under service rate agreements and for the years 1976-77 to 1980-81 compared actual surplus/deficit amounts with those forecast. **Of the 28 projects, we found 13 had significantly large adverse variances from the forecast surplus or deficit.** In addition we reviewed a further 19 projects to assess how quickly these variances accrued. We noted that where the rate review was only one year old the variance was within reasonable limits but where the rate review was in force for more than one year the variance on a number of projects was 50% or more from actual. High adverse variances result in excessive rate increases when the cyclical revision of rates occurs.

Using data from the Utility Rate Information System we compared the overall financial position of the 191 provincially operated projects at March 31, 1976 and at March 31, 1981 and found that **the total net deficit for these projects had increased by 400 per cent from $10 million to $50 million.**

We were concerned that if deficits continue to accumulate at this rate, they may become an excessive burden to many municipalities and eventually become uncollectible.

The Ministry was considering some of the options available for controlling deficits, including:

—using an inflation factor when forecasting operating costs over the 20 year break even period to ensure a closer matching to actual operating costs;

—annual rate revisions on all projects;

—using a fixed 20 year break even period for rate calculation.

The Deputy Minister replied on March 23, 1983 as follows:

"This problem has been under review for some time and the options available for controlling deficits were developed as listed in the auditor's report. An amendment to the Ontario Water Resources Act which will authorize annual rate reviews and revision of service rates on an annual basis has been prepared. This legislation will be introduced in the Legislature shortly."

Accounts Receivable

The Capital Financing and Revenue Branch maintains accounts receivable due from municipalities for water and sewage services. As at March 31, 1982 accounts receivable for provincial sewage and water service totalled $16.05 million, of which $5.5 million was over 90 days old. The operating agreements state that the service charges shall be paid by the municipality in accordance with the Ministry's monthly statement, and the invoice of the Ministry indicates that payment is due upon receipt of invoice.

The delay in payment of accounts by municipalities restricts the use of these funds by Ontario, and involves the loss of a considerable amount of interest which could be earned if accounts were settled promptly.

The accounts receivable have been maintained on a magnetic accounting machine and relevant transactions are recorded on ledger cards to which are affixed magnetic strips. **The aged trial balance produced by this machine was totally inaccurate with the result that an accurate aged trial balance has only been produced manually at each fiscal year end.**

Our examination of some of the older outstanding balances in the accounts receivable as at March 31, 1982 indicated that a number of balances were incorrect and should be adjusted. However, no review had been made of these accounts to establish a reason for these incorrect balances.

We were informed that statements of account balances have not been forwarded to municipalities on a regular basis. Such a procedure would have highlighted these errors through feedback from municipalities, and in many cases would have encouraged more prompt payment.

We understood that consideration was being given to converting the accounts receivable to a computerized system to eliminate the manual handling of ledger cards and speed up the processing of transactions and provide more meaningful information to management such as an accurate aged trial balance each month.

Whether or not such conversion takes place we recommended that accounts receivable balances be reviewed on a systematic basis to ensure that account balances are accurate and that delinquent accounts are followed-up, or a satisfactory explanation of the delinquency provided.

Deputy Minister's reply:

"The weaknesses in the accounts receivable system had been previously evaluated and a study to replace the inadequate accounting machines used for accounts receivable and revenue systems was completed in December 1982. This

study resulted in recommendations for computer application and funds have been provided in the 1983-84 estimates to implement the new system.

"In the meantime, the Ministry is manually reconciling the accounts receivable on a monthly basis and is preparing and issuing statements to the municipalities."

Reimbursement of Operating Costs

Certain municipalities operate provincial plants and are reimbursed for such costs. This arrangement includes the two regional municipalities connected with the York/Durham sewage and water facilities.

Agreements signed with the two municipalities call for the operating budget for the calendar year to be paid to them in quarterly instalments during each fiscal year. **The quarterly amounts were not all paid in the 1982 fiscal year and $1,412,092 applicable to 1982 was paid and charged in the 1983 fiscal year.** We noted that the appropriation for the Plant Operations Activity for the 1982 fiscal year had an unexpended balance of approximately $3,000,000.

In addition we found that the second quarterly payment in 1982 fiscal year for South Central York Sewage Servicing Scheme amounting to $264,500 was paid to the wrong municipality. Neither of the municipalities nor the Ministry were aware of this situation. Adjustment of this error was to be made on the fourth quarter payments to these municipalities in the current fiscal year.

We understood that no internal audits of these costs had been undertaken since the agreements were signed in 1975, and suggested that the Ministry consider this in the light of the large amount involved.

Deputy Minister's reply:

"The problem which caused the delay in reimbursement of operating costs, commented upon by the Provincial Auditor, has now been rectified.

"Internal procedures for controlling the payments have been revised and the Municipalities are now required to issue invoices to the Ministry on a quarterly basis. These invoices will now be processed on a timely basis in the same manner as other invoices.

"The Ministry is now carrying out a review of the agreements and will be conducting an audit of the activities in the near future."

3.9 Lack of Economy and Efficiency re Provision of Accommodation, Ministry of Government Services

In the course of an audit of the Ministry, we examined the extent to which economy and efficiency were observed in the construction of government-owned accommodation.

We reviewed a number of projects which had experienced construction delays, ranging from several months to several years, or had been completed but were deemed unsatisfactory in that they were non-functional or dysfunctional. These projects were discussed with district and regional management. **Some examples of the projects and our concerns and recommendations are detailed in the following:**

Conversion of Boilers from Steam to Hot Water at a Centre for the Developmentally Handicapped

This contract was awarded to the lowest of ten bidders in the amount of $340,000. The contractor started construction in June 1982 with an estimated completion date of September 30, 1982. Our review revealed that as of July 11, 1983 this project had still not been certified as complete and plans for continued construction to final completion were uncertain.

The project required that existing oil fired boilers be replaced by new boilers fueled by natural gas. During manufacture of the boilers the consulting engineers instructed the manufacturer to add equipment which would provide for the use of a propane back-up system. Propane back-up was not provided for in the project specifications nor required in the contract with the general contractor.

At a meeting on March 3, 1983 with representatives of the consulting engineers, the general contractor and several senior members of the Ministry's construction staff, it was reported that the manufacturer had, on instructions from the consultants, already completed propane modifications to the boilers. The change order for these modifications, in the amount of $18,600, was discussed at the meeting and it was agreed that issuance of the change order would be held pending justification of the extra $18,600 by price breakdown from the general contractor. The meeting also addressed proposed extras of $257,900 in addition to the original contract sum.

It appeared that approximately $143,000 of the proposed extras related to the propane back-up system which was not included in the project specifications. It was agreed at the meeting that certain change order items relating to propane would be deleted and replaced by separate change notices. It was also agreed at the meeting that "all remaining items relating to the propane system are to be deleted and will be treated separately."

It was evident that the consultants' design did not include full

requirements of the project. The project specifications in the Ministry's public tender documents did not stipulate requirements for a fuel back-up system. Due to these omissions interested contractors were not fully informed of the project specifications and competitive bidding by qualified contractors may have been seriously affected.

The delay in completion of this project was attributable to poor planning and design by the Minstry and its contracted consulting mechanical engineers. The unplanned additions and modifications to the project also caused delay and increased the contract cost by $125,500. It was estimated that additional costs to complete the project would amount to $143,000.

Designs and specifications which do not fully describe all requirements of projects attract bids in amounts insufficient to fulfil actual requirements of the projects. To complete the projects it is then necessary to issue change orders involving extra costs which are not subject to the competitive bidding process. This places the Ministry in a captive position with the contractors and may result in significantly increased costs of the contracts.

We recommended that, before tenders are called for, the Ministry ensure that project designs and specifications are thoroughly reviewed.

Relocation of Portable Buildings to a Centre for the Developmentally Handicapped

This contract was awarded to the lowest of five bidders in the amount of $120,000. The contractor scheduled work to be completed in November 1981. However, the contract was terminated in June 1982 and completed by a second contractor in February 1983.

When the buildings were moved to the Centre they were found to have substantial structural deterioration through age. This necessitated extra work by the contractor in the amount of $10,100. The work was delayed and brought to a halt because the contractor was unable to pay his subcontractors, suppliers and workmen. The Ministry subsequently contracted with another construction company to complete the work. This resulted in an additional cost of over $5,000 for this project.

The delays were due to the performance of the first contractor and the deficient design of the precontract alterations and inspection. It is important that potential problems be identified and realistic cost estimates and construction schedules prepared.

Install Fire Safety Doors in a Mental Health Centre

The contract in the amount of $98,400 was awarded on February 4, 1981 to the lowest of nine bidders. The project was to begin on August 31,

1981 with a completion date of November 13, 1981. As of May 1983, the project was still not completed.

In summary, this project was delayed because the equipment specified in the project specifications proved to be unsatisfactory. The Ministry issued the contractor a change notice authorizing him to obtain the required equipment. However, it was quite evident that the major cause of the delay was due to the contractor's inability to obtain the prescribed equipment.

We noted that the Ministry's construction superintendent expressed his dissatisfaction with the contractor on March 13, 1981 in trying to establish a construction schedule. The construction superintendent continued to document concerns regarding construction progress throughout 1981.

On October 14, 1982 the construction superintendent wrote the contractor stating that if there were no workmen on site by October 18, 1982 he would recommend termination. On June 10, 1983 the Ministry terminated the contractor. We were informed the Ministry will now purchase the necessary equipment directly from the supplier and obtain quotations for installation.

The delay of almost two years in installing the prescribed fire safety equipment resulted in undue inconvenience to operations in the Mental Health Centre. In addition, incalculable and unnecessary expense was incurred by the Ministry of Government Services for administration and supervision.

The action taken by senior management subsequent to our review of this project should have been affected in the early stage of construction.

Retrofit a Regional Office and Garage to Effect Energy Conservation

The contract was awarded to the lowest of three bidders in the amount of $51,900. The construction phase was scheduled to start in June 1981 with an estimated completion date of August 1981. Our audit inspection of the project in June 1983 disclosed that the project was not entirely operational.

A part of this contract required installation of photo cells to turn off electric lights when natural lighting in offices reached a level of 55 foot-candle power. The general contractor installed the photo cells as instructed by the project consultant. The photo cells did not operate satisfactorily; they caused the electric lights to strobe continually. The general contractor relocated the cells several times and different photo cells were installed.

The relocations and changed cells were not effective and the electric

lights continued to strobe. On June 6, 1982 the Ministry's district office recommended full payment be made to the general contractor on the grounds that all general contract requirements had been fulfilled. The general contractor received payment in full in August 1982. Our audit inspection on June 22, 1983 disclosed that the photo cells had been taped and thereby rendered inoperative.

The adequacy of the photo cells should have been determined during design of the project. However, when the cells were seen to be ineffective the Ministry's senior mechanical engineers responsible for these projects should have been informed. The contract should not have been certified complete and paid in full without approval by the Ministry's engineers. In addition to lack of value for money for this unsatisfactory project the Ministry incurred additional expense in supervision and administration due to the delay in completion of the contract.

Installation of an Energy Conservation System at a Centre for the Developmentally Handicapped

The contract was awarded to the lowest of seven bidders in the amount of $49,100. The construction was scheduled to commence on August 9, 1982 with an estimated completion date of October 15, 1982. On June 1, 1983, a certificate of completion was issued to the general contractor. However, on June 3, 1983, the centre reported to the district office that the system was dysfunctional and closed down.

In summary, this project was delayed and was now inoperable because the general contractor installed unsuitable equipment.

The consulting engineers contracted by the Ministry as project consultants repeatedly rejected shop drawings of the equipment submitted by the general contractor. A letter dated January 4, 1983 from the project consultants to the Ministry concluded by stating "We feel no further time should be wasted in reviewing this equipment." However, the Contract Management Branch directed, on May 13, 1983, that the project be accepted and the amount due be paid.

The recommendations of the project consultants contracted by the Ministry were apparently ignored not only by the general contractor but also by the Ministry. We questioned the cost-value of the project consultants on this contract. We also questioned the issuance of a completion certificate and payment in full to the general contractor for an inadequate system which they installed despite rejection by the project consultant. The system's inadequacy was proven within 2 days of completion.

In addition, the delay in completing the project resulted in inconvenience to operations in the Centre and extra administration and supervision expense to the Ministry of Government Services.

Renovate Washrooms and Main Entrance to a Centre for the Developmentally Handicapped

This contract was awarded to the lowest of nine bidders in the amount of $48,400. The contractor started construction on July 26, 1982, with an estimated completion date of October 29, 1982. The certificate of completion was issued to the contractor on February 18, 1983. We were informed that the delay was due to the poor financial condition of the general contractor.

Although this project had been certified complete we were informed by the Centre's management that the project was partially unsatisfactory. The electrically operated sliding doors at the main entrance are designed to operate slowly. In winter this allows cold air to enter the building causing discomfort to staff and residents working in and using the main hallway. The entry of cold air will also partially or completely nullify the heat conservation expected from another project installed at the same time.

The entrance of cold air allowed by slowly operating doors at the main entrance should have been recognized in the design stage of the project. We would have expected particular attention to be given to this at the time, since the Ministry was actively engaged in energy conservation projects. The doors will not be used for approximately 6 months of each year and we presumed that this would not affect the operation of the Centre. We therefore questioned the necessity for the expenditure on this aspect of the project.

Landscaping Phase 1 at a Centre for the Developmentally Handicapped

This contract was awarded to the lowest of five bidders in the amount of $47,400. The scheduled completion date for this project was May 1982. The certificate of completion was issued to the contractor in December 1982.

Our examination revealed that this project was delayed in part due to the financial condition of the contractor who could not readily obtain supplies or pay his workers. It was also delayed due to extra work necessitated by special methods to excavate rock encountered during construction of retaining walls and stair enclosure. The rock formation was close to a wall of the Centre's main building and could not be removed by blasting. It was therefore necessary to remove the rock by special, lengthy and expensive methods. This work was authorized by change order at additional cost of $6,400.

We understood that the rock conditions at the work site of this project were known to the technical staff at the Ministry's district office. If the district office staff had participated fully in the design and planning

stage the total requirements of the project would have been made known at its commencement. This would have minimized the cost and time required to complete the project. This project was designed at the head office of the Ministry and the district office should have received the drawings at the 90 per cent stage for revision or comment as deemed applicable. However, in discussions with district office staff on this and other projects, they explained their reluctance to comment on 90 per cent head office drawings, in that they know from experience that their comments would be ignored by the head office professional staff.

The Ministry should assess the prevalence of this attitude at all district and area offices and as may be necessary take appropriate measures to change it. Thorough review of designs, and performance of site inspections at the initial stage is essential to planning for expeditious progress and economical completion of the project. The Ministry should encourage advisory comments between all members of the construction team.

Installation of an Energy Conservation System at an Adult Occupational Centre

This contract was awarded to the lower of two bidders in the amount of $41,100. The estimated completion date of the project was November 1982. The contractor was issued a completion certificate in March 1983. Our audit inspection of this project in May 1983 disclosed that the system has been declared unacceptable by the Centre.

This system was designed by a firm of consulting engineers and installed by a general contracting company. Each company was under a separate contract with the Ministry. Although the system was deemed unsafe and operationally unsatisfactory the contractor was issued a certificate of completion. The certificate was issued on the grounds that installation had been effected in accordance with specifications and the contractor was paid in full on May 15, 1983.

The Ministry's Chief Mechanical Engineer stated that he was not informed of the unsatisfactory status of this project until after our visit to the Centre. He informed us that the consultant has been requested to redesign the system and will do so at his own expense. Another contractor will be hired to perform the alterations.

The delay in completing and the current inoperative condition of this system has impaired a program of the Centre. We considered planning, installation and reporting on the status of this system to have been inefficient, uneconomical and ineffective. The Ministry should perform thorough viability and prototype studies before tendering contracts for future systems.

EXPENDITURE RE UNOCCUPIED OFFICE SPACE

In addition to the preceding points, we noted a situation whereby the Ministry was committed to unnecessary expenditures as a result of leasing certain accommodation which was in excess of requirements.

The Ministry leased accomodation to relocate a government commission. The lease was executed on the assurances given by the Chairman of the commission that a significant increase in staff complement would be approved by Management Board. However, the Board did not approve the increases in staff as requested by the commission.

The Ministry found itself in the position of having leased accommodation in excess of the commission requirements. During the period June to October 1982, the leased premises remained unoccupied. The total rental for the unoccupied period was $511,000.

In addition, the Ministry had issued tenders for the construction of leasehold improvements in the leased premises. The tender closed in April 1982, but was not awarded until August 1982. As a result of the delay, the original construction budget increased from $407,000 to $432,000. The increase of $25,000 was attributed to increased materials and labour costs.

The Ministry was committed to unnecessary expenditures by entering into a lease agreement as a result of the commission's failure to obtain Management Board approval for the increase in complement.

The Management Board Secretariat's approval procedures for entering into lease agreements have been revised and should prevent similar occurrences.

Although the preceding matters have been reviewed with officials of the Ministry, no formal report had been issued at September 30, 1983. Therefore, we are not able to present the Ministry's views on the matters raised.

3.10 Accountability Process re Operating Grants to Hospitals, Ministry of Health

We reviewed the process for the payment of operating grants to hospitals and related facilities, which totalled $3.43 billion for the 1983 fiscal year. Our objective was to assess the management controls and information system relating to the economy, efficiency and effectiveness of such grants.

We concluded that several initiatives had been implemented or were in course of implementation to strengthen the management controls and information systems over such operating grants.

- **A data base of hospital financial and operating statistics was being established to provide current information on hospital finances and operations.**
- **Budget review procedures have been documented for the 1984 fiscal year, and budgets are being subjected to detailed review.**
- **Groupings of similar type hospitals together with extensive performance indicators were being established to provide comparative statistics for peer review evaluation.**

DETAILED COMMENTARY

Overview

a) Authority for Operating Grants

The contribution of Ontario to the operating costs of hospitals and related facilities which provide insured services is authorized under the Health Insurance Act.

b) Basis of Funding

Since 1969 the funding of public hospital operating costs had been made under the "global budget" funding concept. This method of funding allocated a specific amount to each hospital and allowed hospitals a certain amount of freedom in the internal allocation of these funds to its departments. Allocations of funds to each hospital were originally established in 1969 by the Ontario Hospital Services Commission. The Ministry assumed the responsibilities of the Commission in 1972 and continued this basis of funding. Annual increases to allocations were provided for inflation, negotiated salary and wage settlements, growth in utilization and new and expanded programs, dependent upon the Ministry's availability of funds.

At the close of the operating year, each hospital submitted audited financial statements together with Federal and Ontario financial and statistical returns which indicated their actual operating expenditures. After review and analysis by Ministry personnel final approved operating costs were established. If operating costs were less than the funds allocated and paid by the Ministry, the excess of funds was recovered from the hospital. Where operating costs exceeded the Ministry's funding, the resultant operating deficit was the responsibility of the hospital. However, in many of these cases the hospitals would request funds to cover their operating deficits and dependent upon the availability of Ministry funds, the deficits would be funded partially or in full.

The Ministry's contribution to the operating costs of public hospitals increased from $1,516 million in the 1976 fiscal year to an estimated expenditure of $3,635 million for the 1984 fiscal year. The Ministry,

recognizing the necessity to constrain health care expenditures, established a Committee on Hospital Revenue Allocation and Budgeting (COHRAB). As a result of COHRAB's recommendations and the Ministry's review, the Business Oriented New Development Plan (BOND) was introduced by the Ministry effective April 1, 1982.

The main thrust of BOND is that the financial accountability relationship between the Ministry and each hospital has changed from a specific operating cost and related revenue basis to one which encompasses all revenues and expenditures of the hospital. There has been no change in the allocation process, except that a new base allocation was established for the 1983 fiscal year equal to the actual 1982 fiscal year operating expenditures incurred by hospitals which had a deficit on operations for the 1982 fiscal year. There will be no year end settlements of hospital costs except on those funds flowed by the Ministry from other votes for specific programs such as clinical education or ambulance services. Hospitals will be allowed to retain any excess of revenue over expenditures, but will be responsible for deficits. It is intended that these procedures will encourage hospitals to maximize their revenues and achieve reductions in expenditures through economies and efficiencies in their operations.

Operating Grants to Hospitals

a) Fiscal Resources Branch

The Program Advisory Services (Hospital Programs) of the Fiscal Resources Branch administers the financial resources of the Ministry allotted to the operations of hospitals and related facilities. The manager of these programs has the assistance of five financial advisors and ten clerical support staff. Among its functions are the calculation of the allocation of funds to individual hospitals and related facilities, cash flow calendarization, budget reviews in cooperation with the Institutional Operations Branch and the determination of year end settlements. **In addition it is actively engaged in constructing a data base of hospital financial and operating statistics to provide management with a current information system.**

As noted previously with the implementation of the BOND plan on April 1, 1982, year end settlements related to the operations of public hospitals have been discontinued apart from funding under other programs. However, as the combined settlements for the 1981 and 1982 fiscal years were determined in the latter half of the 1983 year, we reviewed the settlement files of 40 public hospitals and 7 related facilities. **Our review indicated that the settlements were processed accurately and in accordance with established policy.**

b) Institutional Operations Branch

The Institutional Operations Branch of the Institutional Division is

the primary representative of the Ministry and liaison with public hospitals and related facilities. The goals of the branch are:

—To ensure that available funds are distributed to hospitals and related facilities as equitably as possible.

—To ensure that hospitals and related facilities are managed in an economic, efficient and effective manner.

To achieve these goals the branch is divided into area teams responsible for defined geographic regions. Each team is responsible for approximately 40 hospitals and related facilities and one team is responsible for specialized health facilities such as the Ontario Cancer Treatment and Research Foundation.

In prior years the review of hospital budget submissions by the branch was limited, and generally a budget would be accepted if it was within the global allocation. Efforts of the branch teams were concentrated on deficit submissions and resultant appeals against allocations. There were no written procedures covering the steps to be undertaken in an effective budget review.

We were pleased to note that this situation has been addressed by the branch and the 1984 fiscal year budget submissions were being subjected to a detailed review. Draft budget review procedures had been written for guidance of the area teams. Computerized key indicator reports on all submitted hospital budgets have been prepared by Fiscal Resources Branch which indicate which of the budgets submitted are in deficit or surplus position. Budgets received are acknowledged by the branch indicating initial acceptance of the budget if the hospital is in a surplus position. Where the budget shows a deficit figure, the acknowledgement indicates the Ministry's concern and the need for the hospital to reexamine its operating forecast. All budgets are subject to detailed review.

Initially the 1983-84 budget review is being performed manually and incorporates completion of a Budget Review Analysis Report and a three year summary report of financial and departmental performance measurements. Concentration is being directed towards budgets which show a deficit position. Where requested, the Fiscal Resources Branch will prepare a hospital budget review report of the changes in financial operations. These analyses are discussed by the two branches, and the area teams prepare reports to the hospitals of their conclusions and recommendations.

At the time of our audit it was expected that computerized reports of budget analysis would be available in July or August 1983 on all hospitals which would eliminate the manual involvement of area teams and speed up the process.

The branch has developed computer programs to group similar hospitals into clusters, and we understood that printouts of these groupings would be available in the fall of 1983. At the time of our audit 178 hospitals had been assigned to 13 groups. The object of this exercise was to provide the branch and individual hospitals with a wide variety of financial and operating performance indicators which would compare each hospitals' performance over a three year period and also compare its performance with other hospitals within its cluster grouping.

c) Program Effectiveness

The increased intensity of the budget review process and peer group comparisons should greatly enhance the accountability relationship of the Ministry to the Legislature and of hospital management through its Board to the Ministry in the economy and efficiency of program delivery. The one remaining measurement that required addressing was that of program effectiveness.

We noted that a special pilot project "Case Mix Accounting" was being conducted by the Kingston General Hospital. This project, which it was estimated will take approximately three years to complete, will provide a new basis of cost accounting and the measurement of productivity in hospitals. Additional benefits are expected from this system for measuring program effectiveness as follows:

- —identification of differences in practices between hospitals;
- —assessment of rationalizations of hospital services and equipment on a district and provincial basis;
- —objective and rational basis for the allocation and use of a hospital's services;
- —sound basis for planning service transfers, reductions or enhancements.

d) Accreditation of Hospitals

The accreditation of health care facilities is a program administered by the Canadian Council on Hospital Accreditation, Ottawa. Participation in the program is voluntary and consequently there is no mandatory requirement that all health care facilities have accreditation status. To receive accreditation status a health care facility must meet a variety of standards set out by the Council. These standards include the quality of patient care, the goals and objectives of the governing body and management and the operations of the various departments within a facility.

Each year the Council issues a listing of accredited health care facilities. Our review of the listing issued on May 9, 1983 indicated that 203

of the 221 public hospitals in Ontario were accredited. The accreditation process is a broad performance indicator which indicates that hospitals receiving such status are meeting the standards of the Council. We suggested that all hospitals in Ontario be encouraged to obtain accreditation status.

The foregoing comments were included in a report dated September 30, 1983. The Ministry has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

3.11 Strengthened Collection Procedures Needed re OHIP Group Billings, Ministry of Health

A recent audit of the Ministry included an assessment of the policies and procedures in place regarding the collection of Ontario Health Insurance Plan (OHIP) group premiums by the due date.

We concluded that improved policies and procedures were required.

- **Group billings were not being issued until payment of the prior month's billing was received. Thus delinquent groups caused delays in billing.**
- **The number of groups and dollar value of premiums unpaid at the end of each month was excessive, resulting in lost interest revenue to Ontario.**
- **No penalty or interest charge was being assessed against delinquent groups; thus there was no incentive to remit by the due date.**

DETAILED COMMENTARY

Overview

Under the Health Insurance Act every resident of Ontario is entitled to become an insured person upon application to the General Manager in accordance with the Act and regulations thereto. At the time of our audit, monthly premiums were $27 for a single person and $54 for a person with one or more dependents. Exemption from premiums or reduced premiums are afforded to certain residents. Premium revenue for the 1983 fiscal year was $1,365 million (1982 $1,179 million).

Group Premium Collection Procedures

There are approximately 35,000 groups registered with OHIP. Premiums paid by these groups amount to approximately 85 per cent of total premium revenue. Under section 13 of the Health Insurance Act premiums are due three months in advance of the period which the premium covers.

We noted that:

—Accounts receivable as at January 31, 1983 totalled approximately $79 million and consisted of 37,374 payments due for 25,091 groups.

—**Although the majority of the accounts receivable ($63 million) pertained to the current due month, we found there were significant amounts which had been outstanding for more than 30, 60 and 90 days.** This is indicated by the following summary:

Period Ended	Month Due	No. of Payments Due	Amount Outstanding $
Jan. 31/83	October	1,206	1,039,041
	November	2,515	2,735,546
	December	7,190	11,587,655

Late payment contravenes section 13 of the Health Insurance Act, and results in loss of interest to the Province. The group billing system being used was based upon the principle that a group is billed only if the prior month's billing has been paid. Thus delinquencies result in delays in billing.

We felt that a number of factors had contributed to the delay in payment of group billings:

—the relocation to Kingston in the summer of 1982 which resulted in new staff, both group leaders and unit clerks being hired for this work;

—the introduction of an automated billing system;

—the fact that no penalty is imposed on groups which are continually delinquent, resulting in no incentive to remit premiums by due date; and

—the follow-up on delinquent accounts had been weak.

In our discussions with management we noted that the group billing and collection problems were being addressed. The implementation of stricter collection procedures should assist in decreasing the quantity and dollar amount of overdue groups.

On September 30, 1983, the Deputy Minister replied as follows:

"Reductions in accounts receivable are being effected through the impact of new procedures to manually issue multiple billings for delinquent payments. These include:

1. All non AGB groups are billed manually by the 10th of the due month even if previous months payment not received.

2. *Group clerks are sending reminder notices, manual effort, if AGB groups do not submit payments by the 10th of the month following the due month.*

3. *Arrears reports produced by District Offices for follow-up by Customer Service Representatives.*

4. *More efficient referral of overdue accounts for Financial Control.*

"We do send a multiple bill where the machine billing is already overdue or we feel it cannot be paid in time to generate the next billing within the month due. Many groups refuse to accept a non-machine billing without the listing.

". . . in the latter half of fiscal 1982/83, and continuing on an on-going basis, we have put in place methods of improved revenue collection, such as the manual issuing of multiple billings and other improvements mentioned above.

"We are confident that there has been an improvement in the revenue/receivables situation in 1982/83, which will carry forward into 1983/84 and beyond. Collections in the current year reflect a marked improvement to date."

3.12 Potential for Operations Improvements, Construction Health and Safety Branch, Ministry of Labour

One of the objectives of a recent audit of the Ministry of Labour was to assess whether the operations of the Construction Health and Safety Branch were carried out with due regard for economy, and whether adequate management controls were in place to enable branch management to assess how efficiently resources were utilized to meet the branch's objectives.

We concluded that a number of steps could be taken to achieve additional economy within the branch. Also, although performance statistics reported from the field were reasonably good, branch management was not fully utilizing this information nor following up on apparent problems. The major findings in support of our conclusion were:

- **Computer reports produced by the Systems Development Services Branch were not being utilized.**
- **The branch was not making effective use of information available from the Construction Safety Association of Ontario.**
- **There was a duplication of effort, in that the branch was manually preparing reports that were being automatically generated by the Systems Development Branch.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The primary objective of the Construction Health and Safety Branch is to encourage construction employers and employees to prevent occupational accidents by identifying existing and potential health and safety hazards in the construction work place. Branch expenditure for the year ended March 31, 1983 was $4.6 million, of which $4.0 million was payroll related.

The branch administers the Occupational Health and Safety Act and ensures compliance with legislated standards through consultation, inspection, investigation and enforcement activities.

Over 100 inspectors are employed by the branch to inspect construction projects throughout Ontario. The inspectors also investigate all fatalities, serious accidents and any unusual incidents or situations which may present a hazard on a construction site.

Overall Observations

We found that in certain instances the branch operates in isolation. Through observation and discussion it became evident that the branch made little use of relevant information available from the Ministry's Systems Development Services and Research Branches and the Construction Safety Association of Ontario. Useful statistics are available from these sources but are not utilized for planning purposes. In fact, in some instances the branch was manually preparing reports which could be obtained from these other sources. **This results in a duplication of effort which cannot be considered due regard for economy nor an efficient utilization of resources.**

While the statistics provided by the field do provide a number of sound performance indicators, management was not fully utilizing this information to identify and follow-up on potential problem areas.

On June 9, 1983 the Deputy Minister replied as follows:

"It is important to note that it is this Ministry's statutory obligation under the Occupational Health and Safety Act and Regulations for construction projects, to inspect and take necessary action to ensure compliance. We do not believe the branch would meet its mandate by relying too heavily on externally generated information. The Construction Safety Association of Ontario is established by employers under the Workers' Compensation Act, and obviously does not have the same mandate as the Construction Health and Safety Branch. We do rely on the

same basic data base (Workers' Compensation Board), liaise with each other regularly, and, exchange information on emerging hazards in the construction industry.

"A review of current systems and management information needs has been undertaken by the branch. It is our intention to enhance the system, and to ensure that all relevant information is used for planning purposes."

Non-Utilization of Computer Reports

The Systems Development Services Branch of the Ministry produces monthly reports for the Construction Health and Safety Branch. **During our review, we found that, for the most part, these reports were not being utilized by branch management because the staff felt that they were outdated and/or inaccurate.**

We were informed by the Systems Development Services Branch that the reports were not outdated since they were available approximately 3 weeks after month end. In addition, inaccuracies which arise were because the data submitted by the Construction Health and Safety Branch was incorrect. For example, if the Construction Health and Safety Branch does not code a construction project as having been completed, it will continue to show up on the printout of active projects, or if all documents are not turned in by the cutoff date then obviously there would be omissions in the final reports.

We recommended that management of all three regions get together and determine what specific information would be useful to their district managers. A determination could be made as to whether the Systems Development Services and Research Branches could efficiently produce this information. Procedures could then be established to ensure the raw data required to produce these reports is submitted on a timely basis.

Reports presently produced but of little use to Construction Health and Safety management should be discontinued.

Deputy Minister's reply:

"As noted above, we are currently reviewing information needs of the branch, in order to enhance the utility of computer generated data. At the conclusion of this review, we will discontinue production of any unnecessary manual and automated reports.

"Also, all managers have been directed to more closely monitor data submitted, to ensure reports generated are accurate."

Reports Available from the Construction Safety Association of Ontario

The Construction Safety Association of Ontario (CSAO) maintains a computer data bank which stores information on the circumstances and conditions surrounding every Workers' Compensation Board "lost time" accident in Ontario. This data bank is updated daily as new information is received.

We were advised that the Systems Analysis Division of the Association can provide up-to-date information on numbers, causes and locations of accidents, problem equipment, problems related to specific trades, etc., at any time free of charge.

In our opinion, the data available could be used to identify specific problems within the construction industry and accordingly to set priorities and schedule inspections for the branch. For example, if it were found that a large number of accidents had resulted from a particular hazard, the inspectors could be instructed to pay closer attention to situations of that nature. In addition, if a particular company has a poor safety record then it may be advisable to inspect its projects on a more regular basis.

During discussions with various field personnel we were informed by one of the managers that he was obtaining CSAO statistics on his own and using them to advise his officers as to the types of problems they should pay specific attention to.

When we informed the acting branch director that a number of reports can be obtained from the Association on a monthly basis, he obtained copies of the Association's Injury Frequency and Cost Record report and the Contractor's Lost Time Injury report and determined that the reports were useful and will be requested in the future.

In our opinion, the efficiency and effectiveness of the branch in reducing accidents could be improved if branch managers were provided with this type of information and used it to establish priorities for the activities of the inspectors under their direction. This is especially critical in times of constrained resources.

Deputy Minister's reply:

"Once again, this Ministry and the C.S.A.O. rely on the same data base for information. Whenever a problem is isolated by the C.S.A.O. it is communicated to the Ministry and any necessary action taken.

"We are assessing the possibility of utilizing additional information generated external to the branch."

Duplication of Effort

a) Staff Deployment Analysis

Each month the managers and regional administrators manually prepare a "Staff Deployment Analysis" report that summarizes the monthly activities of each of the inspectors in the field.

During our review, we found that the Systems Development Services Branch of the Ministry prepares a "Field Activity" report which essentially contains the same information that is on the staff deployment analysis. Although, the staff deployment analysis does contain some additional information, we were informed that the field activity report could easily be adjusted for this.

b) Accident Reporting

All work places under the jurisdiction of the Workers' Compensation Board of Ontario are required to report any accidents which result in a disability that lasts for at least one day beyond the day of the accident. These are reported on the "Employer's Report of Accident", commonly called the "Form 7".

The Standards and Programs Branch of the Ministry receives copies of all Form 7's received by the Board. There are six employees in the branch who process, code and route the forms to the applicable branch within the Occupational Health and Safety Division.

On receipt of the forms the Construction Health and Safety Branch sorts them by district and forwards them to the applicable district office. **We were informed that these forms are not being used by the inspectors because they were not being received on a timely basis.**

During our review we found that the Research Branch of the Ministry receives all the information recorded on the Form 7's via a computer tape produced by the Workers' Compensation Board. The Research Branch has the capability through its "Work Injury Information System" to produce a monthly report which would include all the information that is on the Form 7's. **This report would include all Form 7's received by the Board during the month and could be ready for distribution approximately two to three weeks after month end.**

This could result in a significant saving of clerical time in both the Standards and Programs Branch and within the Construction Health and Safety Branch, and quite possibly, within the other branches of the Occupational Health and Safety Division. It should also improve the timeliness of the ultimate receipt of this information by the field staff.

Deputy Minister's reply:

"The 'Staff Deployment Analysis' is not intended to be a

monitoring tool for District Managers, but to provide information for use by senior branch management. There is a partial duplication of data in the computer generated reports, however, the information is required immediately, in order to provide information on activities as they occur.

"Also, most inspectors do make use of the 'Employer's Report of Accident' form, however, the time lag in receipt of same has detracted from the effectiveness of utilization.

"These items will be considered in the information needs review and any unnecessary manual preparation and distribution of data will be eliminated."

3.13 Review of Hallmark Hornepayne Town Centre Project, Ministry of Northern Affairs

In November 1982 a motion before the Standing Public Accounts Committee of the Legislature requested the Provincial Auditor, pursuant to section 16 of the Audit Act, to conduct a full review of the Hallmark Hornepayne Town Centre project and the provincial government's involvement in it, including a review of the cost effectiveness of the provincial capital investment in the project. The motion was discussed and withdrawn on the understanding that the Provincial Auditor conduct a review of the project and include it in his Annual Report for the year ending March 31, 1983.

A report on this review, which was historical in nature, was sent to the Ministry of Northern Affairs in June 1983. A summary of our observations arising from the review is as follows:

- **The Province did not conduct a feasibility study prior to agreeing to participate in the arrangement with Hallmark Hotels Limited and the Canadian National Railway for the construction of the Town Centre, owned by Hallmark.**

- **Detailed evaluation of the project has been postponed because of the delays experienced in occupation of the public sector facilities. It is expected that ongoing evaluations over several years of operation will be needed to assess the results.**

- **Negotiated contract price for the project was $11,660,000 to be shared as follows: Province $5,367,000 (46%); CN $3,945,000 (34%) and Commercial (Hallmark) $2,348,000 (20%).**

- **The Province's share consisted of $4,572,000 in grants and $795,000 in present value of future lease payments. Net grant**

outlay by the Province was reduced to $3,704,000 as a result of a federal contribution and other adjustments.

- **The Province incurred additional capital related costs of $946,000.**
- **Delays occurred in negotiating leases and in occupying the public sector facilities. As a result, the Ministry of Northern Affairs made payments totalling $338,000 with respect to unsigned leases for unoccupied premises.**
- **Rental costs incurred by the public sector for the year ending June 30, 1983 were estimated at nearly $290,000, including additional rent for operating costs in excess of $215,000. We found no evidence of the prospective public sector tenants having been given reasonably accurate estimates of operating costs (additional rent) prior to initiation of the project.**
- **Facilities intended to have been leased by the Municipality were being administered according to an Agreement between the Province and the Municipality with the Province paying the operating deficit. For the year ended December 31, 1982 the deficit was over $140,000.**
- **From a strictly financial aspect, as a return on investment to the taxpayers of the Province, the investment in the Town Centre would be difficult to justify.**

DETAILED COMMENTARY

Overview

By a Letter of Intent signed by the Minister of Northern Affairs and dated August 15, 1978 the Province agreed to participate in an arrangement for the construction of a Town Centre at Hornepayne, in concert with Hallmark Hotels Limited (Hallmark) and the Canadian National Railway Company (CN). The signing of the Letter of Intent followed an earlier announcement in January 1977 by the Province and CN on an agreement in principle.

The Centre consists of an enclosed mall-type structure and an outdoor recreational area located on land transferred to Hallmark by CN and the Municipality for the nominal amount of $1.00 in each case. The Centre has the following components:

Province

Liquor Control Board of Ontario (LCBO) store

Ontario Housing Corporation (OHC) rental housing project (senior citizens)

Ontario Provincial Police (OPP) detachment offices

Municipal

Cultural and Recreational facilities, including a library, gymnasium, swimming pool and an outdoor playing field and tennis courts

Medical/Dental facilities

High School — which shares the library and recreational facilities

Board of Education office

CN

Accommodation in the form of bachelorettes, apartments and railway crew lodges

Commercial

Hotel comprising 35 rooms, restaurants and bars

Post Office

Bank

Department store

Food market (vacant)

Small retail stores (4)

The Centre is owned by Hallmark, although under a yet unexercised option provided by the Letter of Intent, the outdoor recreational facilities may be conveyed to the Municipality for the nominal amount of $1.00.

Feasibility of Project

The Town Centre was conceived in 1975 as a result of a planned expansion of CN operations which was to increase its labour force in Hornepayne from approximately 425 in 1975 to some 600 by 1980-81. There was also a need to replace the existing CN accommodation. Hallmark, having been selected by CN to provide commercial development, suggested a community approach. With support from some Council members (Township of Wicksteed), the Province was asked to participate in the construction of a complex that would include public sector facilities.

The Province did not conduct a feasibility study. However, Hallmark assessed the economic viability of the project from an overview based on outline or conceptual plans. In April 1977 Hallmark reported that, for a number of reasons, the project was only marginally feasible from an economic point of view. On the basis of information provided in the interim by Hallmark and CN, the Province proceeded to determine the interests of its ministries and agencies and to coordinate the public sector participation. **During this process, prior to the Letter of Intent being signed, some reservations were expressed.**

—The Hornepayne Board of Education agreed on the need for a new secondary school provided that the facilities could be provided at no (extra) cost to the ratepayers. However, Ministry of Education officials initially believed that with the addition of a multi-purpose shop structure and renovations to the existing school, the needs for secondary education would have been well satisfied at significantly less cost. Nevertheless, the Ministry subsequently supported the inclusion of the High School in the complex for reasons relative to the general benefit of the community.

—Initially, the existing OPP accommodation in Hornepayne was confirmed as being reasonably adequate. However, with a view towards improving its facilities, the OPP agreed to relocate its offices to the Town Centre provided Force operational requirements were met.

—Originally both the Ministry of Health and the LCBO expressed concern over the rental costs for space in the Town Centre. However, both agreed with the general concept that the Centre would be a suitable location for the proposed facilities.

The then Treasurer of Ontario was the major Provincial proponent of the Town Centre and undoubtedly his endorsement was instrumental in overcoming any reservations on the part of ministries and agencies to participate. In a February 1977 memorandum to a Minister, the Treasurer said: "I want this operation to be a success not only for what it will do for Hornepayne but, more important, because (of) it's potential significance in dealing with several basic problems which have plagued northern, isolated communities as places to live. The more provincial, municipal and private activities we can bring together, the higher the possibility of accomplishing success."

Purposes of Project

The purposes of the project as stated in the Letter of Intent were:

1. To assist the Municipality to improve community facilities in the face of CN's major expansion of its operations;

2. To explore the feasibility of arrangements such as this being used as a model for improving living conditions in a remote northern resource community when faced with an expansion; and

3. To provide the community with a climate-controlled mall-type Town Centre having many of the community services combined in one facility.

In an audit memorandum (June 5, 1980) to the Deputy Minister, Ministry of Northern Affairs, we noted that the objectives had not been established in sufficient clarity and detail to facilitate the measurement of intended benefits. In reply, the Deputy Minister felt that the objectives did, in fact, lend themselves to quantitative measurements such as:

—CN employee turnover rates;
—Permanent population increase;
—Increases in use of cultural and recreational facilities;
—Occupancy rates of apartments; and
—Employment figures 1977 vs. 1982.

He also cited intangible social benefits which should be weighed, such as the interaction of senior citizens and the action of the Centre as a focus in drawing the community together.

Although the Deputy Minister said that a detailed evaluation would be made in 1982, such an evaluation has not been possible because of delays experienced in occupation of the public sector facilities. It is expected that ongoing evaluations over several years of operation will be needed to assess the results.

Estimates of Capital Costs

The provisional or conceptual cost of the Centre was referred to in correspondence and in a press release in March 1976 as being $7 million. However, this estimate was not based on worked-out plans.

Subsequently, capital cost estimates prepared by a construction firm working with the architect ranged from $8.70 million in July 1976 to $11.50 million in August 1977. These estimates included a component for non-construction costs (e.g. professional fees, contingencies, interim financing, construction management) which were determined on a percentage basis by Hallmark.

A first round of tender bidding in March 1978 produced only two bids, the lower bid being $10.26 million. A second round in May 1978 brought three complete bids, the lowest being $9.90 million. **The addition of non-construction costs would have increased the latter bid to nearly $14 million.**

The increases in costs from July 1976 were ascribed to:

—the delay in tendering (inflation factor of approximately one per cent per month); and

—the lack of exact input regarding mechanical, structural and other systems with respect to the earlier estimates.

The Minister of Northern Affairs had already signed a Letter of Intent on February 20, 1978 containing a provision that should the total project cost as determined by the tendering process exceed

$11.11 million, the public sector would not be bound to proceed. Accordingly, after consultation with the Province and CN, a contract was negotiated with the construction firm which had prepared the earlier estimates (but which had not previously placed a bid) and a revised Letter of Intent was signed on August 15, 1978.

The revised costs as a result of the negotiated contract were:

	$(000s)
Construction contract	8,300
Non-construction costs (approx. 40 per cent)	3,360
	11,660

Sharing of Capital Costs under Letter of Intent

The Letter of Intent scheduled the sharing of the total cost as follows:

	$(000s)	Per Cent
Province	5,367	46
CN	3,945	34
Commercial (Hallmark)	2,348	20
	11,660	100

The preceding amounts do not include the costs of a department store, which was financed by the store itself.

The financing of the Provincial share of the project was a rather complicated transaction involving substantial grants with other capital costs to be reimbursed through future rental payments. Although the contractor summarized his final construction costs as being $9,540,000, the overrun in itself did not affect the actual amount contributed by the Province, as may be seen from the following schedule:

Breakdown of Capital Cost by Eventual Occupiers, Public Sector Facilities

	Grants $(000s)	Present Value of Future Lease Payments $(000s)
Province		
LCBO		185
OPP		160
		345

Municipal-Related			
Mall and common areas		1,197	
High School		1,631	
Cultural and Recreational facilities		1,302	
Medical/Dental facilities		90	50
Senior Citizen apartments		285	400
General		67	
Totals ($5,367)		4,572	795
Less: Contribution from federal Department of Regional Economic Expansion	650		
Other adjustments (Note)	218	868	
Total amount paid by Ministry of Northern Affairs		3,704	

Note: The Province received finance cost savings ($393,000) attributed to grants and paid a guarantee ($175,000) as protection from liability for contingencies.

Capital Related Payments

We have used the term "capital related payments" to include a variety of costs paid for finishing work, alterations, change orders and other work, some of which were the subject of prolonged negotiations between Hallmark and the Ministry of Northern Affairs. The payments are summarized as follows:

	$(000s)
OPP tenant work	321
Medical/Dental facilities tenant work	199
LCBO tenant work	147
Cultural and Recreational facilities	134
High School — change order	41
Miscellaneous items	50
Interest charges	54
Total	946

As the accommodation requirements were not known at the design stage, the Letter of Intent, in referring to leasing arrangements, specified that the OPP, Medical/Dental and LCBO premises would not be provided with any finishing or partitions. Accordingly, these areas incurred significant additional costs.

The tenant improvements for the OPP detachment offices and cells were completed by June 1981 at a cost of $192,000. However, in the interim, upon examination of the premises, the OPP found that the garage required expansion and that an elevator was needed as a safety feature for the conveyance of prisoners from the grade level garage to the cells located in

the office area on the second floor. The cost of these additional modifications was $129,000.

Delay in Occupation of Premises

Certificates of substantial performance as to the completion of the Town Centre were submitted by the architect in December 1980. Hallmark indicated the public sector premises had been ready to receive tenant improvements somewhat earlier and proposed that the leases commence in September-December 1980 depending on the individual circumstances. **However, the leases for the public sector facilities were not signed until March/April 1982 following prolonged negotiations and agreement by the Ministry of Northern Affairs to reimburse Hallmark for the intervening rent.**

The factors involved in the delays in reaching accord on the leases and in occupying the premises are summarized:

1. Draft leases were presented by Hallmark to the Ministry of Northern Affairs in October 1980. Ministry records did not indicate any immediate action was taken.

2. There was reluctance by both the Municipality and the Board of Education to enter into leases or to occupy the facilities until such time as financial problems relative to the operation of the respective facilities had been resolved.

3. Other problems relative to the execution of the leases and occupation of the premises included the requirement for prior Ontario Municipal Board approval, which was dependent on satisfactory financial information, and compliance matters with respect to the Building Code Act.

4. Hallmark approached the Ministry in January 1981 and active negotiations commenced in March 1981, with the Province negotiating the leases on behalf of all public sector tenants.

5. The intervening time to March 1982 was used to review the form of the leases (negotiating the clauses) and to attempt to get the Municipality to be a party to the leases (Cultural and Recreational facilities and Medical/Dental facilities leases).

6. The OPP detachment delayed occupation of their offices until the garage and elevator improvements had been completed.

The leases were retroactive to the substantial dates of completion of the premises. Whereas it had been intended that the Municipality would assume the leases for the Cultural and Recreational facilities and the Medical/Dental facilities, these facilities are currently being leased by the Province (Ministry of Government Services) and administered according to

an agreement between the Ministry of Northern Affairs and the Municipality.

Components of Rental Payments

The four components of the rent payable under the public sector leases are:

1. Minimum Rent

   Where the capital cost of the facility was financed entirely by grants, the minimum rent is $1.00 per year:
   — Cultural and Recreational facilities
   — High School

   For those elements where the capital cost was not paid for through grants or only partly financed by grants, the capital cost not financed by grants is amortized as rent (i.e. present value of future lease payments):

	Annual Minimum Rent ($)
— Medical/Dental facilities	5,558 (25 years)
— OPP	18,848 (20 years)
— LCBO	25,437 (20 years)

2. Additional Rent (Operating Costs)

   Additional rent is payable by the tenants for expenses incurred by the landlord (Hallmark) in operating, maintaining and repairing the Centre. The total expenses for a year are estimated on an apportionment basis and an adjustment (to actual) is made at the end of each year. The apportionment to all elements of the Centre (Public Sector tenants, CN and Commercial) is based on such factors as area and capital cost and includes such items as heating, air conditioning and taxes. Similar costs relative to the common areas of the Centre are also apportioned.

3. Reserve Fund

   The reserve fund, administered by Hallmark, provides moneys for major repairs and replacements. Contributions to the reserve fund are at the rate of 35 cents per square foot per year. The annual contributions of the two largest public sector facilities are:

   — Cultural and Recreational facilities $5,324
   — High School 4,689

4. Management Fee

   The annual management fees for each facility are stated in the Letter of Intent and are subject to escalation. The management

fees, which range up to $2,000 per facilitiy, are in addition to a 15 per cent administration fee assessed on the operating costs included in "additional rent".

Lease Related Payments — Ministry of Northern Affairs

Commencing in May 1981, the Ministry of Northern Affairs began making interim payments to be credited against the unsigned leases and paying hydro bills where such service was metered to the premises. In February 1982, the Deputy Minister confirmed that the Government was then ready to sign the leases and settle the rental arrears. **The total settlement, including interim payments, amounted to $338,329.**

Summary of Lease Costs to June 30, 1983

Rental payments for all public sector facilities to June 30, 1983 will probably exceed $670,000. The following summary includes actual payments to June 30, 1982 plus estimated payments for the rental year ending June 30, 1983. (The additional rent component of each lease is adjusted to actual as at June 30 each year.)

	$
September/December 1980 to June 30/81	122,374
July 1/81 to June 30/82	261,939
July 1/82 to June 30/83 (estimated)	288,332
	672,645

Operating Costs (Additional Rent)

a) General Comments

Several financial analyses were presented by the Municipal Finance Branch, Ministry of Intergovernmental Affairs, with respect to the likely impact of the Centre on the Municipality.

We found no evidence of the prospective public sector tenants having been given reasonably accurate estimates of operating costs (additional rent) prior to the Letter of Intent being signed. The additional rent for the public sector premises for the year ending June 30, 1983 is estimated to be in excess of $215,000. This amount, which is part of the $288,332 included in the preceding summary of lease costs, is likely more than was foreseen at the time the Letter of Intent was signed.

b) Cultural and Recreational and Medical/Dental Facilities

As already mentioned, these two areas are being administered according to an Agreement between the Ministry of Northern Affairs and the Township of Wicksteed. The Agreement provides that the Township is to manage the facilities on behalf of the Province and in the interest of the people of Hornepayne.

In accordance with the Letter of Intent, the Province was to obtain agreement of the Municipality to all matters therein affecting the Municipality. As the Letter of Intent envisaged the Municipality entering into the leases for these areas, there was an apparent onus on the Province to ensure such action.

Indeed, the Municipality originally did agree to be bound by the Letter of Intent including provisions with respect to the leasing arrangements, operating costs and common area charges.

Of some interest, insofar as the recreational facilities are concerned, are the observations contained in an early financial analysis prepared by the Municipal Finance Branch of Treasury, Economics and Intergovernmental Affairs in March 1977:

> "The high spending on recreation in particular raises some reservations as to the need for the new recreational facilities being proposed."
>
> and
>
> "The assumption of the operating deficit by the Township would increase its revenue fund spending on recreation to approximately $414 per household. This level would be six times the amount spent by comparable townships."

During the time prior to substantial completion of the Centre, Township Council members expressed their concern over operating expenses for the Centre and requested information as to estimated revenues and expenditures involved. In a statement of municipal position issued in July 1980, the Township maintained that at a public meeting in November 1977, it had been clearly stated that the project would be constructed at no cost to the local taxpayer, and that upon completion a benefit by way of revenue would result. In reply, (August 5, 1980), the Ministry of Northern Affairs said it did not believe a categorical statement had been given at any public meeting to the effect that the Centre could be constructed and operated at absolutely no cost to the local taxpayer. The Ministry reply went on to say that an official from the Municipal Finance Branch had stated at the November 1977 meeting that, from all the evidence available at that time, it appeared probable there would be a surplus of tax revenues over extra expenses of from $40,000 to $60,000 per annum. The Ministry referred to more recent financial analyses which indicated the likelihood of a surplus as being a distinct probability.

A later financial analysis forecast an operating deficit of between $55,000 and $60,000 in the first year, which would be cushioned in future years by factors such as increased subsidies from Hallmark. Finally, the Township was informed in December 1981 that the Province would operate

the facilities for up to one year. **The Agreement between the Ministry of Northern Affairs and the Township, among other matters, provides that the Province will pay the operating deficit attributable to the leased premises. The Agreement, initially due to expire on November 30, 1982, has been extended to December 31, 1983 so that sufficient financial information can be gathered for a formula whereby the Township would take over the leases.**

An operating statement of these facilities for the year ended December 31, 1982 prepared from the Township's audited financial statements, placed the deficit for the year at $124,526.

Our comments on the statement were as follows:

1. The amount of rent ($76,254) included as expenditure did not include increases effective July 1, 1982 or an adjustment to actual for estimated rent paid for the period ended June 30, 1982. **The inclusion of these adjustments (totalling $18,860) would have increased the operating deficit to $143,386.**

2. A portion of the wages was for only a nine month period.

Cost-Effectiveness of Provincial Capital Investment

From a strictly financial aspect, as a return on investment to the taxpayers of the Province, the investment in the Town Centre would be difficult to justify, at least in the foreseeable future:

—The capital cost of the High School was over $1.6 million whereas the former school probably could have been upgraded for $0.5 million. In 1976 a Ministry of Education official stated that the new High School would provide a facility larger and more costly per pupil than any built or planned in Ontario. Enrolment which was 103 for the 1981-82 school year is now 118.

—The capital investment in Cultural and Recreational facilities was $1.3 million. As previously mentioned, the Municipality already was spending highly on recreation.

—The present value of the future lease payments by the LCBO and OPP ($345,000) are significant when considered in light of the former premises being government-owned.

—Significant costs were also incurred in the way of capital related payments and lease payments for unoccupied premises.

—Also to be considered (although not a capital cost) are the increased occupancy costs in the form of operating expenses (additional rent).

While we must await the results of the evaluation to be carried out by the Ministry of Northern Affairs (See Purposes of Project portion of this

section), our observations during the review with respect to the quantitative measurements mentioned indicate that:

1. Although CN employment did increase from approximately 425 in 1975, there have also been layoffs. At the time of our review, there were about 410 CN employees.
2. There had been a population increase of approximately 110 from 1,610 in 1975 to 1,720 in 1982.
3. The Cultural and Recreational facilities were being used extensively not only by the High School but also by senior citizens, CN employees and other Hornepayne residents.
4. The senior citizen and CN apartments were nearly all occupied. Of the 112 CN bachelorettes, we were advised that about 50 to 75 are usually occupied.
5. The Town Centre itself now provides employment for 60 to 75 persons.

The presence of the hotel facilities has attracted business to the community in the form of travel stopovers, conventions and a bonspiel. Recently, cold weather tests on foreign-made automobiles were conducted in the area with the Town Centre being an accommodation base.

Whether the intangible social benefits succeed in attracting industry and population for resource and other development remains to be seen.

In our opinion, a contributing factor with respect to the extra costs (capital and lease related) incurred by the Province was one of coordination. The Letter of Intent specified that there should be a senior coordinating committee with Provincial, CN, Hallmark, Municipal, School Board and DREE representation (one person each).

We did not find evidence of such a committee having been formally constituted. A structured committee with senior level representation might have been successful in reducing extra costs and facilitating the occupation of the public sector premises.

On July 27, 1983 the Deputy Minister of Northern Affairs wrote to us as follows:

> *"Generally, your report is an accurate reflection of the activities related to the Town Centre project. There are however, several points which we would like to clarify.*

Delays in Leases and Occupancy

> *"There was a period of delay between the building being substantially completed and the signing of the public sector*

leases, which in turn delayed the occupation of the centre. From the point of view of the Ministry of Northern Affairs, that delay resulted from protracted and difficult negotiations which were necessary in order to ensure that the leases ultimately signed protected the interests of the community. That the process of negotiating appropriate lease conditions took a considerable amount of time is unfortunate; however, this ministry's involvement in the negotiations was consistent with its responsibility to the citizens of Hornepayne and to the taxpayers of the Province.

Co-ordinating Committee

"The original Letter of Intent anticipated the need for a Senior Co-ordinating Committee which would meet on significant matters of substance. There were a number of meetings between the parties to the agreement but a need did not materialize for the establishment of a formal co-ordinating committee.

Benefits of the Project

"The focus of this innovative pilot project was to address the problems of life in a small, remote northern community. This is reflected in the purposes listed in the Letter of Intent. Indeed, at the time, it was thought that similar projects might be developed across Northern Ontario. The government's investment in this project was for the purpose of improving the community life of the town of Hornepayne, not strictly for obtaining a financial return on the original investment. As I am sure you are aware this is the case with many public sector capital investments. It is expected that this ministry's evaluation of the project will be able to demonstrate some of the social benefits of the Town Centre to the Community of Hornepayne as a whole.

"Finally, it should be noted that the government's decision to fund the pilot project of the Hornepayne Town Centre was taken before the Ministry of Northern Affairs was created. Nonetheless, this ministry has well discharged its responsibility to implement the project."

3.14 Observations re Hiring of Consultants and Overseas Recruitment Costs, Ministry of Revenue

The objective of an audit at the Ministry of Revenue was to assess the adequacy of internal controls, including compliance with established policies and procedures, pertaining to the Ministry's accounts payable system for suppliers' invoices and expense claims. The Ministry's accounts payable system processes payments of suppliers' invoices and expense claims totalling approximately $50 million per year.

We concluded that the overall internal controls associated with this system were satisfactory. However, our findings indicated considerable scope for improvement in the following areas:

(a) Hiring of Consultants

- **Payments were made prior to services being rendered and were charged to expenditure appropriations of the wrong fiscal year.**
- **Performance evaluations were not usually issued at the completion of each contract.**
- **In a significant number of cases examined, reasons for selecting the successful supplier of consulting services were not documented.**

(b) Recruitment of Systems Personnel in Britain

- **Failure to impose sufficient penalties to deter resignation prior to the agreed two-year work period may have been a contributing factor in the early resignation of six of the eleven candidates hired in Britain in 1981.**
- **Meal costs reimbursed to the recruitment teams during the two campaigns in Britain were excessive, ranging up to $74 per person and including charges for liquor, wine and tobacco.**
- **A travel claim included charges for the week-end rental of two cars during the 1982 recruitment campaign, although there did not appear to be recruitment or business reasons for the rentals.**

DETAILED COMMENTARY

Hiring of Consultants

a) Overview

The Ministry hires consulting firms by contract to advise, evaluate and provide assistance to its operating branches. In the areas of project and

systems development and maintenance the majority of contracts are negotiated and awarded through the Management Systems Branch (MSB).

b) Payments Prior to Services Being Rendered

The Ministry of Treasury and Economics Act requires each Ministry to check and certify accounts as correct in every respect before recommending them to the Treasurer for payment. Treasury Accounting Policies state that annual appropriations are for goods or services coming in course of payment during the fiscal year and that ministries must ensure that goods are received or services rendered prior to payment.

During our review of 58 contracts we observed that four payments for professional services, totalling $107,300, were made in advance of the services being rendered. Supporting invoices dated March 24, 1982 were signed for services rendered and approved for payment by staff of the Management Systems Branch and charged to the Ministry's 1982 expenditure appropriation although the services were not actually rendered until the 1983 fiscal year.

These actions represented failure to comply with established policies governing financial and appropriation controls.

c) Contract Performance Evaluations

The Ministry's Directive requires written performance evaluation reports on the completion of each contract. The reports are to be maintained on the contracting Branch's file for a period of three years.

From our examination of the files of 46 completed and terminated contracts we found that 27 did not contain documentation of performance evaluations.

We were informed by officers of the Management Systems Branch that performance evaluations of completed contracts are not usually documented unless the contracted resource proved to be unsatisfactory. We confirmed that a similar practice was followed by other branches.

Written performance evaluations should be prepared and retained on file as required by Ministry Directives, not only as qualitative evidence of past performance but also as an aid in selecting resources for future projects.

d) Lack of Documentation

The Ontario Manual of Administration and the Ministry's Directive require the contracting branch or division to document in writing the criteria/reasons for selecting each successful supplier and to file this information with all other tendering documentation for a period of three years.

In our review of contract files and from discussions with Ministry officials we found that 26 of the 58 contracts examined were not supported by documen-

tation pertaining to the selection process. This deficiency was particularly evident in cases where contracted personnel were re-engaged under subsequent contracts.

Recruitment of Systems Personnel in Great Britain

a) Overview

The Ministry conducted interviews in Britain in 1981 and 1982 to hire systems personnel. External recruitment to fill vacant systems positions was required because of a shortage of this expertise in Canada. Recruitment teams consisted of senior staff from the Ministry. Some statistics relevant to the two trips are shown as follows:

	1981	1982
Number of members in recruitment team	4	8
Length of stay in Britain (mandays)	57	185
Number of interviews conducted	54	68
Number of positions available	24	24
Number of systems personnel hired	11	16
Travel claims and air fares for team	$16,800	$46,500

The preceding costs do not include team salaries, advertising, or costs related to the relocation and orientation of recruits.

b) Agreements with Recruits

The Ministry hired eleven systems personnel in the 1981 recruitment campaign in Britain. However, within fifteen months from commencing work with the Ministry six of these eleven employees had resigned. A contributing factor to this high turnover was the market demand and higher salaries in the private sector.

Another factor was the terms of the agreement signed by each appointee which did not impose sufficient penalties to deter resignation prior to the expiry of a two-year work term. The Ministry used an outdated section of the Ontario Manual of Administration (OMA) as the basis of agreement which restricted the amount of relocation costs recoverable in the event of early resignation. The OMA section current at that time provided more freedom in setting the amounts recoverable and therefore the opportunity to impose higher penalties in the agreements. Such penalties may have reduced the number of early resignations or at least ensured recovery of a significant part of the cost of relocating those who chose to resign early. We noted that the Ministry imposed higher penalties in its 1982 recruitment agreement.

c) Expenses Claimed by Recruitment Teams

In a test of the 1981 recruitment expense claims we particularly noted the wide variation in dinner costs which ranged from $8 to $68 per person. A test of the 1982 recruitment expense claims showed the range for lunches and dinners to vary from $1 to $68 and from $2 to $74 per person, respectively. The

average cost per person for lunch and dinner on the 1982 recruitment trip was $44, according to the Ministry's calculation as amended, whereas the Ministry's guidelines at that time were $15 for these two meals. The Ministry's directive on travel expenses states that employees travelling on Ministry business may be reimbursed for reasonable meal charges having regard to the locality. Notwithstanding the London location we questioned the reasonableness of meals in the upper part of these ranges.

A further analysis of documents supporting the 1981 and 1982 recruitment expense claims disclosed that a substantial number of the meal costs reimbursed represented the purchase of liquor, wine and tobacco. The above mentioned Ministry directive states that charges should not include bar bills.

Our test of the 1982 recruitment expense claims also disclosed charges totalling $550 for the rental of a car on two separate weekends. As no interviews were scheduled for these weekends we questioned whether the rentals were for business or personal purposes. Subsequently, we were informed that the rental costs would be recovered from the team members who used the cars. Repayments were received by the Ministry and deposited on March 31, 1983.

The Deputy Minister of Revenue responded to our comments on September 14, 1983:

Hiring of Consultants

1) Payments Prior to Services Being Rendered

> *"It is correct that four payments totalling $107,300 to two suppliers were charged to the wrong year. Such infractions are not, however, descriptive of the Ministry's management of contracts in general, and represent only a small proportion of the 58 contracts examined. In fact, 565 contracts worth $10 million were administered during 1981-82, of which 181 contracts worth $3.6 million were in the Management Systems Branch.*
>
> *"More importantly, corrective action was taken to prevent future occurrences. The staff in the Branch who authorized the payments were spoken to, and instructions were issued to all ministry staff to reinforce standing directives concerning payments of this kind. As a result, an audit of the 1982-83 year-end conducted by our Internal Auditor has confirmed that receipts and expenditures 'have been accurately allocated to the proper year and the overall performance for year-end processing was most satisfactory'."*

2) Contract Performance Evaluations

"During 1981-82 the Management Systems Branch administered 150 contracts for fee-for-service staff. During this time the Branch's permanent staff averaged only 66, with a ratio of permanent staff to external staff of 1 to 2.3. This high ratio imposed a severe burden on the Branch, and as a result the ministry directive was followed on an 'exception basis' in which underperformance was documented and appropriate action taken.

"Since then, successful representations to Management Board and the Civil Service Commission and improved market conditions have allowed the Branch to be strengthened materially. As a result, the ratio of permanent to contract staff has been reduced to 1 to .31, and performance evaluations are being documented for all fee-for-service personnel. In turn, this will allow greater attention to be given to administering contracts."

3) Lack of Documentation

"A review of the cases cited shows that:

- *4 were original contracts and were in fact supported by documentation,*
- *1 was a re-engagement contract for which documentation was on file for the original contract,*
- *2 were for contracts of less than $15,000 and hence were not tendered, and therefore did not require documentation of reason.*

"In the remaining cases the Ministry fully accepts the auditors' point. However, steps have been taken to ensure that the reasons for the selection of successful candidates for both new and re-engagement contracts are documented in future. As noted above, this is facilitated by the general improvement in the internal to external staff ratio we have since achieved."

Recruitment of Systems Personnel

1) Agreements with Recruits

"The Ministry accepts that it used an old Section of the Manual of Administration which expired in May, 1981. But while this 'may have' affected the number of

resignations, there are several other factors which should also be considered.

"Just as the uncompetitiveness of our salaries was the cause of going to the U.K. in the first instance, it also affected our ability to retain some recruits. It should be remembered that the demand for computer people was intense throughout 1981. For example, in that period, the Ministry ran 14 competitions involving 256 applicants, of which 82 were interviewed and only 18 were eventually hired. In addition, we continued to suffer high losses among those already on staff. In the prevailing 'sellers market', it is not altogether surprising that some of the U.K. recruits reacted to the considerably higher salaries being offered in the private sector.

"In addition, there were other factors. One recruit left to return to the U.K. for personal reasons; while three took jobs in Mississauga, Cambridge and Hamilton at least partly because they had relatives living there or their spouses found jobs there.

"However, our experience with the 1982 recruits has been considerably better. First, as noted in your report, the Ministry imposed higher penalties for early resignations, which, significantly, are considerably stronger than those required by the Manual of Administration. Secondly, market conditions for computer personnel have improved markedly in our favour. As a result, there have been no further resignations among the 1981 recruits, and none of the 16 staff recruited in 1982 have resigned.

"Finally, all of the recoverable funds totalling $9,025 relating to the six resignees have been recovered."

2) *Expenses Claimed by Recruitment Teams*

"It is not unusual or unreasonable in itself for staff to incur a range of meal costs. As recognized in the audit report, the question is whether such charges were reasonable in average or per diem terms in relation to the circumstances in which staff operated in London. A number of observations may be made on the average combined cost of $44 for lunches and dinners cited by the auditors.

"First, meal costs are notoriously high in central London, while the pound was relatively strong at $2.20. In the spring of 1982, the federal government's per diem London allowance was in fact £20 plus 25% for gratuities and VAT, for an equivalent of $42.80 for lunch and dinner only. This is very close to the average combined cost of $44 per diem for lunches and dinners cited by the auditors as actually charged by our staff.

"Second, in assessing the reasonableness of per diem meal costs it is also reasonable to take account of meals which were not charged. Altogether 249 lunches and dinners were charged out of a claimable total of 376. If this latter total is used the actual per diem cost of the two meals is $29.80 rather than $44.

"Third, the report cites $15 as the per diem allowance for lunch and dinner authorized by ministry directive. It should be clarified, however, that this was the amount which could be claimed without presenting receipts. It was not meant to be an invariable maximum. Higher amounts are allowed if they are supported by receipts, and the ministry ordinarily processes a great number of such receipted claims above the $15 level.

"The ministry collective agreement provides that in the event that staff are required to be away from home for more than a week they may be returned home at ministry expense but on employee time. This clause was a result of assignments often of several weeks by staff in both the Taxation and Assessment programs. Equivalent treatment of the recruiters in the U.K., some of whom were required to be away from home for four weeks, was considered impractical by management. In recognition of this, and of the long hours they had to work during the week, it was agreed that limited use of a rented car would be permitted on two week-ends. While the Ministry maintains that this was not unreasonable under the circumstances, it agrees that it is not explicitly authorized by existing rules. Consequently, when it was questioned by the auditors, the Ministry recovered the full cost from the employees involved."

3.15 Escalating Costs of Telecommunications Project, Ministry of the Solicitor General

In view of a substantial increase in costs, we made enquiries to ascertain the status of the O.P.P. Telecommunications Project. We obtained the following information:

In January 1980 Management Board of Cabinet approved $24.4 million for a new telecommunications system for the Ontario Provincial Police to upgrade the existing system installed in 1947.

In August 1982 a further application and report to Management Board was presented with a revised estimate of $54.5 million. As this estimate represented an increase of 123% over the approved amount, a Project Review Committee (PRC), chaired by a senior official from the Management Board Secretariat, was established. The mandate of the PRC was to look at the circumstances surrounding the revised estimate and to review the adequacy of the financial and management controls applied to the project. **The PRC was supported by an audit team and a Technical Advisors Team, which estimated the total project costs at $66 — $71 million.**

The PRC reported to Management Board in December 1982. The report concluded that effective controls had not been exercised and made a number of recommendations designed to improve management control over the project. In response to this report, and Management Board recommendations, a Project Team under a General Manager was established in January 1983. The team reported to Management Board in April 1983 and was expected to report back in October 1983 on appropriate implementation alternatives and relevant costs.

The Deputy Solicitor General responded as follows to our comments on September 21, 1983:

> *"Subsequent to the establishment of the Project Team in January, 1983, and appointment of new senior personnel, a number of activities have taken place. Regular progress reports on the Project have been presented to the Deputy Solicitor General. The Project Team has completed a review of user acceptability of the VHF System. A Project management system has been developed and implemented. A review of all Project financial and administrative procedures has been conducted and appropriate modifications have been made. An audit of these procedures by the Ministry's Internal Audit Branch is planned for this fall.*
>
> *"In addition to the report to Management Board in April which resulted with Management Board approval to proceed with the London field test and to commit an additional $4.1*

million for this purpose, a report was submitted in July, 1983. This report was to request specific approvals related to the contracting of technical consulting services in support of the London field test. The contracts were approved. A further report will be presented to Management Board in September, 1983. The purpose of this report is to provide a status report of the Telecommunications Project on cash flow requirements of the Project for 1983-84 as requested in the April 12, 1983 Management Board Minute, and to report on the Implementation Alternatives Report as requested in the December 15, 1982 Cabinet Minute."

3.16 Excessive Short Term Absences, Ministry of the Solicitor General

As part of a recent audit, we reviewed generally the Province's Attendance Improvement Program as it related to the Ministry of the Solicitor General. **We concluded that there was a lack of control over absences for short term sickness regarding management employees of the Ministry. Such absences for management employees were significantly higher than those in other ministries.**

The Ontario Manual of Administration outlines the objectives and means of implementing an Attendance Improvement Program in each ministry. The purpose of this program is to reduce lost time by ensuring "that sick leave usage is restricted to instances where an employee is prevented from carrying out his/her duties because of personal illness or injury". Specific responsibilities are outlined for ministry implementation.

At the time of our audit, no one had been specifically charged with responsibility for implementing the program. We noted that absences under the short term sickness plan for management employees of the Ministry were significantly higher than absences in other ministries. **For the twelve month period ended September 30, 1982 the average absence in the Ministry of the Solicitor General was 14.24 days while the government wide average was 6.94 days.** The Ministry with the second poorest attendance for management employees averaged 8.71 days. **We noted that one of the contributing factors for the poor average was prolonged periods of sick leave taken by 13 O.P.P. Commissioned Officers just prior to retirement.** In 6 of these cases we noted that the absences were in excess of 120 days each immediately prior to retirement.

We recommended that the Ministry take steps to assign responsibility for the Attendance Improvement Program to comply with Ontario Manual of Administration guidelines.

The Deputy Solicitor General, on September 21, 1983, commented as follows:

> *"It has already been agreed that the Ministry will be tightening controls to ensure that sick leave is used only where an employee is unable to carry out his or her duties due to illness or personal injury. The subject of staff attendance is also currently under review and a strategy for improving the Ministry's record is being developed. This will include assigning responsibility for the Attendance Improvement Program as part of this review."*

3.17 Poor Management and Control Practices, Ontario Police College, Ministry of the Solicitor General

The objectives of an audit of the operations of the Ontario Police College included assessments of:

(a) whether major College operations were conducted with due regard to economy and efficiency, and

(b) the adequacy of internal controls, including compliance with established policies and procedures for purchasing goods and services.

With regard to the preceding objectives, we concluded:

(a) There was a lack of due regard for economy and efficiency in major areas of the College.

- **The vehicle fleet was acquired with insufficient regard for economy, with subsequent low average utilization.**
- **Permanent staffing for the Food Services Operations was based on peak, rather than normal, periods.**
- **The option of engaging a caterer to provide meals was not considered.**
- **Utilization of word processing equipment was only 50 per cent.**

(b) Internal controls were generally inadequate and established policies and procedures were not always complied with. Examples were:

- **Free services may have been provided to members of municipal police forces unnecessarily.**
- **The full cost of services was not recovered from other clients.**

- **There was non-compliance with government policies related to the entitlement of executive cars.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Under the direction of the Ontario Police Commission, the Ontario Police College, located in Aylmer, has been assigned responsibility to provide training for Ontario police forces.

The Ontario Police College is a residential type of facility with sleeping accommodations for 584 people. Its principal function is to provide a complete training program, from probationary constable through to supervisory and management levels, for Ontario police forces.

Expenditure of this Activity for the 1983 fiscal year totalled $5.0 million.

Economy and Efficiency

a) Vehicle Fleet

The motor vehicle fleet of the College consisted of 7 cars, a station wagon, a van and 2 pick-up trucks for general use, and 15 cars for training purposes. We reviewed utilization of six cars and a van.

Out of a total of 1,373 vehicle days available from January to October 1982 (excluding weekends), these vehicles were only used on 451 days, or 33 per cent of the total. We also noted one of the pick-up trucks used by maintenance staff travelled only 8 to 9 kilometers per day. We also noted that this truck was converted to use propane in March 1982 at a cost of $1,400.

In our opinion, this situation indicated a lack of due regard for economy in acquiring the vehicle fleet and the subsequent low average utilization of vehicles represented an inefficient use of the fleet.

The Ontario Manual of Administration includes a policy on the Purchase and Disposal of Motor Vehicles. This policy requires an agency to be able to demonstrate that it has considered the available transportation options and has selected the most economical and practical alternative. We **were advised that no study was made to justify the College's vehicle requirements.**

We therefore recommended that the College review available alternatives to adjust its vehicle fleet so that a satisfactory level of efficiency can be achieved.

On June 24, 1983 the Deputy Solicitor General wrote:

"Extent of use of vehicles — the vehicles used by the instructors travelled a total of 108,000 km in calendar 1982.

"Leasing vehicles for this purpose is uneconomical because of our location and because of the type of use. Leasing would require transportation from the College to the point of pick up and again from the point of drop off to the College; the use often involves a day or two when the vehicle is sitting in a garage somewhere out of town.

"The fleet has been reduced by three vehicles, subsequent to the Auditor's Report, and the half-ton Dodge truck used by a Maintenance Mechanic will now be used in the evening by the security patrol force, thus freeing up the automobile previously used by them, for twenty-four hour use by instructors. The use of the fleet will be closely monitored and further changes made if opportunities occur."

b) Food Services Staffing

The kitchen staff consisted of the supervisor, 5 cooks, 2 porters and 11 helpers and dining room maids. Of the latter, 7 staff members were employed under contract until 1981, at which time they were placed on permanent staff. Estimated costs of Food Services Operations for the 1983 fiscal year total $700,000.

We felt that the number of meals served was a reliable indicator of work load. The number of meals served during the period October 1, 1981 to September 30, 1982 (except the month of August during which the College is closed for classes) varied from 16,000 to 25,000 per month, the average being 20,600 meals. **We noted that no overtime or extra help was required during the 5 busiest months. In our opinion, this situation reflected lack of due regard for economy when establishing the staff complement and certainly indicated that the efficiency of Food Services Operations was lower than it could be, particularly during slack periods.** For maximum efficiency we believe the staff complement should be based on a normal or average meal service work load. Temporary help could be hired for peak periods.

We therefore recommended that the College determine the optimum staffing level for Food Services Operations. Consideration would also have to be given to practicable means of reassigning any surplus staff.

Additionally, we were advised that no consideration was given to evaluating the practicability and cost benefits of using a caterer to provide meals for the College.

Deputy Solicitor General's reply:

"The persons moved from contract positions to permanent positions were moved as a result of a government initiative and not as a result of any particular policy of this Ministry or

the College. The use of the kitchen staff during periods of relatively low enrollment is being carefully watched but at the present time it appears as though they are fully employed in such tasks as cleaning and maintaining the area and the equipment. One must note that the cleaning contract for the College does not include this part of the building — that cleaning and maintenance is carried out by our own food services staff.

"The practicability of using a caterer to provide meals will be explored following the appointment of Administrator of Support Services."

c) Word Processing Equipment

The College's word processing equipment consisted of 2 word processors, 2 printers, 4 work-stations and associated equipment, which were assigned to various departments. The word processors and certain related equipment were ordered in February 1981 and the remaining equipment in February 1982, at a total cost of $55,000.

From our discussions and review of related information we concluded that the equipment was utilized approximately 50 per cent of the time. In addition, the acquisition of the word processing equipment did not result in any compensating staff reductions. We also felt that, unless operators are assigned full time, they do not work at optimum efficiency. In our opinion, this situation indicated lack of due regard for economy in acquiring the equipment which has subsequently resulted in inefficient use of the equipment.

We therefore recommended that the College study the practicability of centralizing word processing applications, and dispose of the data processing equipment that becomes surplus.

Deputy Solicitor General's reply:

"This has been reviewed and it appears as though the utilization can be substantially increased by making more use of the potential of the machinery. Apparently there was not an adequate feasibility study done before the machinery was acquired and accordingly it has taken some time to take advantage of the potential. We have recently introduced a system whereby the users of the equipment will be in much closer contact one with the other and will, as a team, expand the use of the word processors. This system may be modified further when we have an Administrator of Support Services."

Internal Controls and Compliance

a) Fiscal Arrangements for Students

The College course calendar outlines the fiscal arrangements for candidates from Ontario Provincial and Municipal police forces attending scheduled courses. **Candidates are provided free tuition, board and lodging, notebooks and stationery.** Travel expenses to and from the College at the commencement and conclusion of each course are also reimbursed. In all other cases, certain charges are made, and students assume their own travel expenses. **We were unable to determine the basis on which this practice was established.**

The Ontario Manual of Administration outlines government policy on charges for services to the public. We consider "the public" to include municipal police forces.

The Manual provides that all services should be regarded as eligible for charges which, in general, should recover at least the total cost, including overhead. Exceptions to the policy of levying charges, or charges that recover less than full cost, may be made if the user group cannot afford to pay, or if full cost recovery would undermine the achievement of program objectives. However, the policy requires services to the public to be reviewed periodically to identify those for which charges may be made and suggests a frequency of 3 to 5 years for such reviews.

We were not aware of any formal review of the present practice of providing free tuition, accommodation, meals, etc., to members of Ontario municipal police forces. Failure to comply with Government policy regarding charges for services to the public may have resulted in unnecessary provision of free tuition, accommodation, meals, notebooks and stationery to members of municipal police forces.

We therefore recommended that this practice, and any changes in circumstances since it was initiated, be reviewed to ensure compliance with Government policy.

Deputy Solicitor General's reply:

"There is presently a proposal before the ministry with respect to charging recruits for their initial training. The College is an integral part of the Ontario police community and therefore the students cannot be considered as members of the public. The only option is to charge police forces for the training and that would defeat the purpose of the College which is to encourage more *training.*

"Such things as travelling expenses date from a time when the College was trying to induce *police officers to attend*

courses. It is time to reassess the policy and consider providing travelling assistance (as opposed to full compensation) for police officers who travel a significant distance. This issue is related to the potential Police Act regulation respecting education, training and qualifications for various ranks."

b) Charges for Tuition and Accommodation

In the 1982 fiscal year, course attendees who were not members of Ontario police forces, and out-of-Province attendees, were charged $200 and $250 per week respectively for tuition, board and lodging, books and stationery. Revenue from these sources for the year ended March 31, 1982 totalled $108,000.

Overall operating costs of the College were $292 per student week in the 1982 fiscal year, and the estimate for the 1983 fiscal year was $276 per student week.

The present level of fees charged, therefore, may not be in accordance with Government policy on charges for services to the public, as described under the preceding section — Fiscal Arrangements for Students.

We therefore recommended that the College establish a fee policy which reflects the Government's policy on charges for services to the public.

Deputy Solicitor General's reply:

"Fees charged for persons other than police officers have been increased 5% (the current limit) and will be increased again in due course. Fees for foreign students will be set at true cost plus 15 or 20%."

c) Executive Car

The Ontario Manual of Administration states that executive cars shall be allocated in accordance with the policy on the Entitlement and Use of Executive Cars issued by the Civil Service Commission. **Under this policy the entitlement of an Executive Car is conferred, with very few exceptions, to Deputy Ministers.**

We observed that the Director of the College had been supplied with an automobile on a full-time basis since July 1982. **We were unable to determine the authority for assigning a motor vehicle to the Director. Additionally, we were advised that previous Directors and Deputy Directors were also provided with automobiles on a full time basis.**

We therefore recommended that the College comply with the Government's policy regarding executive automobiles.

The Deputy Solicitor General's reply:

"This vehicle is now utilized by the Director for business use only and is no longer used for commuting except when part of a business trip or necessary for attendance at the College and weekends, statutory holidays, etc."

3.18 Detailed Audit of Operations, Ministry of Tourism and Recreation

A recent broad scope audit of the Ministry focused on its major operating components, those being the Tourism Marketing Development Activity and the Recreation, Sports and Fitness Program. Our audit included the following objectives:

Tourism Marketing Development Activity

(a) To assess the adequacy of internal controls over advertising related expenditures, including compliance with legislative, administrative and agency contractual requirements.

(b) To assess whether management controls were in place to measure and monitor operational outputs (placement of ads, etc.), program outputs (number of tourists, tourist dollars spent) and program results (jobs created and provincial taxes collected) against the cost of resources utilized.

Recreation, Sports and Fitness Program

(a) To assess the adequacy of internal controls over capital, municipal, Wintario non-capital and sports grant expenditures, including compliance with legislative and administrative requirements.

(b) To assess whether management controls were in place to ensure that due regard for economy was achieved for capital, Wintario non-capital and sports grants issued.

(c) To assess the adequacy of management controls in place to determine how well the available resources (people and funds) were used in the processing of capital, Wintario non-capital and sports grant applications.

(d) To assess whether management controls were in place to ensure that operational outputs (grants processed, etc.) are measured and that the grant recipients measure the program outputs (athletes assisted, facilities constructed) and program results (utilization of facilities) and communicate this information to the Ministry.

The audit criteria which were used to assess the controls and practices related to the preceding objectives are summarized at the conclusion of this section.

SUMMARY OF CONCLUSIONS AND FINDINGS

Overall Ministry Assessment

Our audit of the Ministry included a review of the following Activities:

	$ million
Tourism Marketing Development	20.7
Program Administration (Recreation grants)	21.1
Sports and Fitness	11.9
Recreation Field Operations	4.2
	57.9

Excluding agencies associated with the Ministry which are audited annually by this Office (St. Clair Parkway Commission, Ontario Place Corporation and the St. Lawrence Parks Commission), the preceding expenditures represent over 75% of total Ministry expenditures for the 1983 fiscal year.

As a relatively new Ministry (February 1982) its efforts thus far have been primarily directed at establishing a role and mandate as well as systems and structures to allow accomplishing this mandate. In this respect, we felt that the Ministry had made good progress. Internal controls, including compliance with legislative and administrative requirements, were generally found to be adequate, except for community recreation centre grants where a lack of controls had resulted in these grants being significantly overcommitted. Also, it was our opinion that considerable improvements were required over measures in place to monitor and evaluate results.

Tourism Marketing Development Activity

(a) Internal Controls — We concluded that internal controls over advertising expenditures were adequate and were satisfied that there was compliance with legislative, administrative and agency contractual requirements.

(b) Operational Outputs and Program Effectiveness — We found that management controls in place were inadequate in measuring operational outputs, program outputs and program results against the cost of resources utilized.

- The MBR document was found to be deficient in a number of areas.
- Current effectiveness indicators reflecting the number of trips and expenditures were of marginal value.

Recreation, Sports and Fitness Program

(a) Internal Controls — Internal controls over community recreation centre grants were inadequate. Controls over municipal recreation and Wintario non-capital grants were satisfactory, although improvements were needed in certain areas related to grants to sports governing bodies. We were satisfied that there was compliance with legislative and administrative requirements.

- As at December 31, 1982 the Community Recreation Centres Program (CRCA) was significantly over-committed in its approved grants.
- Procedures to ensure the accountability of grants to sports governing bodies could be improved.

(b) Economy — No significant weaknesses were noted, and we concluded that management controls were in place to ensure due regard for economy regarding capital, Wintario non-capital and sports grants issued.

(c) Resource Utilization — Several improvements were required to improve the processing of grants and to better enable management to monitor how the available resources were being used.

- The payment and approval system for CRCA grants was slow and inefficient.
- A number of applications for CRCA grants were incomplete.

(d) Operational Outputs and Program Effectiveness — Inadequacies were noted in the management controls in place to measure and monitor operational outputs, program outputs and program results.

- Little follow-up was carried out by the Ministry after a CRCA grant is approved and paid on a facility.
- Projects not viable under the Wintario program may qualify for a CRCA grant on the same facility.
- Annual performance reports from sports governing bodies did not contain comprehensive information such as benefits derived from all sports grants funded by the Ministry.
- Grant eligibility guidelines for invitational competitions were not specific enough to ensure that only events with measurable benefits were identified for Wintario funding.

DETAILED FINDINGS AND RECOMMENDATIONS

TOURISM MARKETING DEVELOPMENT ACTIVITY

Overview

The overall objective of the Tourism Marketing Development Activity is to maintain an upward trend of tourism in the Province in terms of an increase in both expenditures and person trips.

Within this framework, tourism management carries out a number of activities some of which include: advertising campaigns directed at various markets, counselling and information services, tours, promoting convention and meeting facilities.

Total expenditures for the 1983 fiscal year were $20.7 million.

Operational Outputs and Program Effectiveness

a) Management by Results (MBR)

Our review of the MBR for the Tourism Marketing Development Activity revealed the following deficiencies:

— person trips and expenditures had not been based on actual data since 1976. Furthermore, the number of person trips and expenditures from "other countries" included trips from residents of countries where the Ministry did not advertise nor have a presence.

— the objectives of the Activity were not clearly stated on the document.

We were advised that tourism management planned to make a number of improvements to the MBR in the future. For example, we were aware that a study was underway to obtain more accurate data for Ontario trips and expenditures that would be reflected on the MBR.

b) Effectiveness Measures

The Ministry's overall marketing objective is to maintain the upward trend of tourism in the Province in terms of an increase in both expenditures and person trips. Measuring behaviour in terms of visitations to the Province as a direct result of advertising is difficult in view of the many factors influencing travel behaviour. For example, economic conditions, currency exchange rates, etc. These factors will affect travel behaviour regardless of the advertising that is going on at the time.

The Ministry obtains feedback on the effectiveness of their advertising efforts primarily by means of tracking studies which attempt to measure "awareness" levels and attitude toward Ontario as well as intention to travel to Ontario. This type of measurement is of a general nature and is done on major advertising campaigns (Ontario-Yours to Discover) rather than on specific advertisements.

For example, a majority of the radio, newspaper and magazine ads include a phone number to contact for further information. At present the Ministry keeps track of the total number of telephone enquiries on a daily basis; however, they do not log statistics on enquiries by advertisement, nature of enquiry or demographic background of the caller. We understood that the Ministry was planning the introduction of a tourist information system (T.M.I.S.) which should improve measuring the effectiveness of various advertisements.

We suggested that the Ministry additionally attempt to gain more insight into how many people are visiting Ontario and their related expenditures as a result of the Ministry's advertising efforts. One suggestion might include more questions in the tracking studies that would indicate whether Ministry advertising has influenced a person's decision to travel to Ontario.

RECREATION, SPORTS AND FITNESS PROGRAM

Overview

Community Recreation Centres Program (CRCA) — Under the Community Recreation Centres Act, the Ministry provides assistance to municipalities, Indian bands and localities without municipal organization for the establishment of community recreation centres. (In order to be eligible for a capital grant, a community recreation centre must be used for at least one of nine purposes, such as a tennis court, swimming pool, gymnasium, etc.)

Responsibility for this program was transferred to the Ministry during the re-alignment in early 1982. While certain processing functions still remained with the Ministry of Citizenship and Culture during our audit, the Ministry of Tourism and Recreation is ultimately responsible for this program. Expenditures for the 1983 fiscal year were $9.6 million.

Wintario Program Grants (Non-Capital) — Grants are provided under three categories, namely: sports, fitness and recreation. Financial aid is provided to assist teams and individuals with travel expenses to participate in invitational competitions and to provide assistance for the acquisition of equipment required by community sports groups. Expenditures for the 1983 fiscal year were $8.5 million.

Grants for Municipal Programs of Recreation — Grants are provided to recreation committees established by municipal councils. Categories of assistance include costs incurred for salaries plus approved maintenance and operating costs. Expenditures for the 1983 fiscal year were $2.6 million.

Grants to Sports Governing Bodies — Financial assistance is provided to approximately 75 Sports Governing Bodies annually to create

opportunities for Ontarians to participate in amateur sports activities both for enjoyment and to develop competition skills. Expenditures for the 1983 fiscal year were $4.8 million.

Grants to Ontario Sports Administrative Centre — The Ontario Sports Administrative Centre was established in 1971 to promote and develop sports in Ontario through the provision of facilities and support services in Ontario. Funding for the 1983 fiscal year was $2.5 million.

Recreation Field Operations — The Recreation Field Operations Branch is responsible for evaluating grant applications and providing advisory services to municipalities, sports and recreational organizations. Expenditures for the Branch for the 1983 fiscal year were $4.2 million.

Internal Controls

a) Over-Commitment of Funds

Grant commitments made to municipalities for projects have exceeded the available dollars assigned to the CRCA Program. As at December 31, 1982, there were approximately 1,200 approved project commitments outstanding amounting to $16.8 million committed over a period from 1978 to June 1982 versus the 1983 fiscal year authorized estimates of $10.8 million.

Applications were being held at the Ministry field offices and those received since June 1982 had not yet been approved. If these applications qualify they could amount to another $8 million payable as at March 31, 1983.

We felt there was a strong need to develop a system to monitor commitment levels against available resources so that the Program could be managed with the financial resources allocated to it.

b) Accountability of Grants to Sports Governing Bodies

Grant guidelines require that sports governing bodies submit each year-end a copy of the financial statements independently verified by either a professional accountant or a team of members not serving as officers of the association. This requirement becomes an important means of ensuring that funds were properly accounted for and spent for the intended purposes.

Our review of thirty sports governing bodies revealed:

- **seven cases where financial statements were not submitted by the sports governing body as required by the guidelines;**
- **three instances where statements were submitted but were not verified by either a professional accountant nor a team of independent members.**

In addition we noted that in many cases the Ministry did not reconcile figures reported on the governing bodies' financial statements to the Ministry's own

records. Consequently, potential problems such as the underreporting of funds received or the spending of grants for other than intended purposes by the recipient would not be detected.

We recommended that the Ministry improve procedures over the control and accountability of grants to sports governing bodies.

Resource Utilization

a) Inefficient Approval and Payment System

Our review of CRCA files revealed that from the time an application for a grant is submitted to a field office until the time a grant commitment letter is issued by the Ministry, a period of seven to eleven months may have elapsed. Subsequently, up to one year can pass before the actual payment is made by the Finance Branch. This payment and approval process is aggravated by the fact that the grant recommendation summary document in its present form has to be signed by up to eight officials of the Ministry before a grant is processed.

Consultants interviewed in the field generally supported the view that the current payment and approval system for CRCA grants is slow and inefficient.

We recommended that the Ministry review the current payment and approval procedures with a view to improving the efficiency of the current grant processing system.

b) Incomplete Documentation on Applications

Applications for grants under the CRCA Program in a number of instances were found to be incomplete. We noted instances where incomplete applications had been approved when in fact the applicant may not have been eligible. Information which may affect the eligibility of the project in these cases was left out. For example:

—whether the centre had previously received a grant under the program;

—purposes for which the centre was to be used,

—other non CRCA funding received.

Operational Outputs and Program Effectiveness

a) Follow-up on CRCA Grants

According to consultants in the field very little or no follow-up was carried out by them after a grant is approved and paid by the Ministry for a facility. Some consultants felt that it was a Head Office responsibility, others were concerned about the matter but had little time to carry out a monitoring function.

In one instance a $75,000 CRCA grant was paid in April 1982 to a recreation centre outside of Toronto for the purposes of developing a playing field area. In addition $75,000 was also paid toward the construction of a community hall for the recreation centre. CRCA guidelines define a playing field as "an outdoor area with space and of a design considered appropriate for more than one type of sport or recreation activity". **Our review of the facilities at the recreation centre and its community hall did not reveal a designated property available for recreation that would qualify as a playing field as defined under the CRCA guidelines.**

We felt that follow-up procedures were necessary to ensure that grant funds were spent as planned and utilized as required.

b) Inconsistent Treatment — CRCA and Wintario Capital Programs

A municipality can apply for grants under both the CRCA and the Wintario Capital Programs for building the same recreational facility. During our review we noted nine instances during 1981-82 in which CRCA grant commitments were made to projects previously rejected by Wintario.

In our opinion, situations can arise in which projects that are not viable under Wintario could still qualify for CRCA grants as interpreted under the present Community Recreation Centre Act. **We felt such inconsistencies were not compatible with the objective of obtaining the maximum benefits from total program expenditures made.**

c) Sports Governing Bodies — Performance Reporting

The Ministry requires submission of performance reports by Sports Governing Bodies annually. We noted the following from our review of the reporting system:

— responses to questions raised by the Ministry in these reports were often given in the form of single "yes" and "no" answers. **As a result, the information in these performance reports did not adequately measure the outputs or benefits derived from the payments made under the various grant categories;**

— **significant variations in project costs budgeted under the grant request and actual expenditure reported by the Sports Governing Bodies at the year end were often not followed-up by the Ministry.** Since budgets are important in deciding on the grant amount to be approved, we felt that explanations should be required for any major variances as this information can be used in determining future funding for similar projects.

d) Grant Eligibility Guidelines — Invitation Competitions

The invitational competitions category under the Wintario grants subsidizes teams and individuals for 50% of the eligible transportation costs

of up to $100 per person to participate in invitational competitions anywhere in Ontario at present and anywhere in the United States or Canada prior to January 1, 1983. Payments of $480,000 and $245,000 were made for the fiscal year ended March 31, 1982 and the nine months ended December 31, 1982 respectively.

Guidelines for these grants tended to be rather general as to who may be eligible for these grants.

Maximum grants were paid in most cases without requiring applicants to submit information on the organizers, number of participants and expected attendance at the proposed competitions. Some instances of payments made under this program included:

—Christmas invitational water polo event in Fort Lauderdale, Florida;

—Canadian Old Timers hockey tournament in Edmonton.

We recommended that a review be carried out by the Ministry on the grant eligibility guidelines to ensure that only events with clearly identifiable benefits are funded.

On August 29, 1983 the Deputy Minister replied to our comments and recommendations as follows:

Overall Ministry Assessment

> *"Since its inception in February 1982, this Ministry has been active in reviewing and making substantive improvements in the areas of: systems of financial and administrative controls; organizational design; management information systems; management processes; and program review. As a result, . . . many of the observations made in your report have already been, or are in the process of being addressed."*

Tourism Marketing Development Activity

Management by Results and Effectiveness

> *"The Ministry's overall marketing objective is to maintain the upward trend of tourism in Ontario in terms of trips and dollars expended. We are constantly seeking improved cost effective methods whereby the effectiveness of activities can be better evaluated. For example, the Ministry is planning the introduction of a computerized Tourism Management Information System. The System, as specified, calls for the collection of data and reporting of information to monitor responses and results of individual advertisements, markets, areas of interest, demographic background of the caller etc.*

Such information will be of great value in the planning and evaluation of our marketing efforts.

"Travel data is currently being updated and will be available shortly. Thereafter, data will be maintained on a regular basis by way of bi-annual questionnaire updates. As well, it is important that travel trends in markets in which we do not advertise, be monitored to allow us to detect and react to potential market opportunities.

"While every effort is being made to improve our evaluation data on a cost effective basis, it is extremely difficult to monitor the direct effects of advertising. Experience with product research has indicated that people are generally reluctant to attribute their behaviour to the influence of advertising. In fact, in pilot studies designed to test the use of possible questions, people were asked how many previously unplanned trips they would take as a direct result of advertising. One hundred percent of the pretest respondents said none. Other sources clearly indicate that the response was a function of the question itself not a reflection of the success of the campaign. However, carefully designed questions linking advertising with travel intentions have been included in all tracking waves in an attempt to measure the results of the campaign."

Recreation, Sports and Fitness Program

1) Community Recreation Centres Program (CRCA)

"Prior to the creation of the Ministry of Tourism and Recreation in April, 1982, this program was administered centrally by the Grants Administration Branch of the Ministry of Culture and Recreation. When the program was transferred to this Ministry, administrative steps were immediately put in place to address its weaknesses, for example:

i) Changes have been made in the program to permit discretion in the acceptance of applications. Previously all applications received were considered eligible if they met the conditions of the Act.

ii) The role of C.R.C.A. vis-a-vis Wintario Capital has been redefined and rationalized. C.R.C.A. now relates solely to the retrofitting of existing facilities whereas Wintario Capital relates to new and innovative construction.

iii) Program guidelines have been reviewed, clarified, rewritten and distributed including the redefinition, the role of the program and a clarification of the definitions of capital and maintenance.

iv) The role of the field offices in the follow up of projects has been clarified.

v) Studies have been completed to determine the financial position of the C.R.C.A. and Wintario Programs. Financial models have been developed to assist in the financial administration and planning for these programs. All aged and outstanding files have been updated or closed. Plans and including commitment/payment scenarios have been developed to manage the program with consideration being given to the outstanding debt.

vi) New administrative and control procedures have been developed and implemented for C.R.C.A. and Wintario Programs. As well, a small Grants Control Unit has been established to monitor and control grant payments and commitment levels, oversee grants processing procedures; and to ensure that the integrity of the financial and management information in the new Grants Management Information System is maintained.

vii) The Ministry is in the process of installing an interactive computerized Grants Management Information System. The system will, for all Ministry grant programs, monitor and control all commitment and payments and provide immediate access to:

- *payment and commitment data and history;*
- *client history and analysis;*
- *facility history and analysis;*
- *geographic history and analysis;*
- *relate to other fiancial assistance programs; and*
- *provide management information for payment, commitment and cash flow and budget analysis."*

2) Accountability of Grants to Sports Governing Bodies

"Revised procedures are now in place to improve the control and accountability of grants to sports governing bodies. As well, Ministry consultants and the sports governing bodies have been notified and instructed as to the revised procedural requirements.

"All financial statements as submitted by the grants governing bodies will include a comparison to pro forma statements included in the applications with material variances fully explained and reconciled. Also consultants will be required to verify all information and authorizations on applications forms."

3) Inconsistent Treatment — CRCA and Wintario Capital Programs

"The Ministry's two major capital assistance programs, C.R.C.A. and Wintario Capital, have been extensively reviewed. The Ministry has redefined these programs and, as a result, the programs now complement, rather than parallel and lever one another. As now defined Wintario relates to new and innovative construction whereas C.R.C.A. relates solely to the retrofitting of existing facilities."

4) Sports Governing Bodies — Performance Reporting

"The Ministry has improved its system of performance reporting by Sports Governing Bodies. New grant application forms have been introduced. The new system will require a more comprehensive reporting of results. As well, consultants have been instructed to give more attention to the reporting of results and the explanation of variances."

5) Grant Eligibility Guidelines — Invitational Competitions

"On January 1, 1983 criteria for grants invitational travel was restricted to events taking place within Ontario. Further changes were introduced on April 1/83 whereby invitational travel was made part of the Regional allocations and priorities. Now recipients must have clearly identifiable benefits and planned achievements must be closely associated with the objectives of the program."

SUMMARY OF AUDIT CRITERIA

Tourism Marketing Development Activity

Objective A — Internal Controls

1. Authorities and responsibilities within the Tourism Marketing Development Branch should be appropriately segregated.

2. All charges billed to the Ministry should be in accordance with the agency contract and controls should be in place to ensure advertisements were actually run.

3. Control should exist over invoices submitted to the Ministry of Industry and Trade's accounting department for processing and ultimate accuracy of amounts disbursed.

4. All requirements set out in the agency contract with the Ministry should be met by the agency.

5. Legislation and administrative policies applicable to the operation of the branch should be complied with.

Objective B — Operational Outputs and Program Effectiveness

1. A strategic plan should have been developed for the activity establishing the resources committed, the performance expected and the assignment of responsibility/accountability. This plan should be consistent with overall Ministry mandate and direction.

2. The goals of the tourism marketing activity should be established in measurable terms and segregated between the three categories of results — operational outputs, program outputs and program results.

3. The plans and resources allocated to the activity should be converted into specific short-term, result-oriented plans and budgets.

4. Performance indicators should be in place for the tourism marketing activity to:

   —measure what results are achieved with resources applied;

   —measure whether tourism objectives are being met;

   —compare actual results to planned.

5. Advertisements should be subject to pre-testing and post-testing with appropriate action taken if the pre-testing indicates any cause for concern.

6. Procedures should be in place to measure the usefulness of the Ministry's customer enquiry service providing toll free numbers and foreign travel trade offices.

7. Feedback should be obtained on the usefulness of the various publications.

8. Once travel centres are constructed, the Ministry should evaluate their usefulness from time to time.

Recreation, Sports and Fitness Program

Objective A — Internal Controls

1. All grant applications should be scrutinized against written criteria for proper support, eligibility and accuracy, and approved only by authorized officials of the program.
2. Controls should also be in place to ensure that:

   —calculation of grant is accurate;

   —actual grant does not exceed authorized amount;

   —grant is recorded accurately.
3. Payment of grants should be in accordance with the appropriate legislation and established guidelines.
4. Total grants approved or committed for should not exceed authorized amounts budgeted for the program.
5. Before payment of any capital grant, plans and specifications prepared by an architect or professional engineer should be submitted to the Ministry for their review.
6. The various field office policies for determining eligibility of applicants should be applied in a consistent manner by each office.

Objective B — Economy

1. The Ministry should have controls in place to ensure that the cost of proposed capital facilities is both realistic yet at the lowest possible cost.
2. Controls should be in place to establish and define accountability, i.e. costs supported by invoices, proof that cost overruns are justified.
3. The budget allocation for grant applications under each program should be based on a documented assessment of grant requirements.

Objective C — Resource Utilization

1. Performance outputs should be well defined and correctly measured, i.e. is the manpower utilized to process grants being used efficiently?
2. Staff performance should be periodically evaluated against output, both from a quality and quantity aspect.

3. If grant guidelines state that grant amounts are based on negotiation with grant recipients, management should evaluate whether this negotiation is being done consistently by the consultants.

4. Applications for grant commitments should be examined to ensure that all necessary information is reported properly.

5. The payment and approval system for grants should operate efficiently.

6. Controls should be in place to ensure that information required for processing different types of grants is not being duplicated.

Objective D — Operational Outputs and Program Effectiveness

1. Program objectives and purposes for grants should be clearly defined.

2. A strategic plan should be developed for the program establishing the resources committed, the performance expected and the assignment of responsibility/accountability. This plan should be consistent with overall Ministry mandate and direction.

3. The plans and resources allocated to the activity should be converted to specific short-term, result-oriented plans and budgets.

4. Performance indicators should be in place for the program to:

   —measure whether grant objectives are being met;

   —measure what results are achieved with resources applied;

   —compare actual result to planned.

3.19 Observations re Agency of Record and Government Advertising Expenditures, Ministry of Tourism and Recreation

The objectives of a recent audit were to assess:

- the Agency of Record selection process;

- the Agency and Ministry operational, administrative, accounting and reporting practices;

- whether the Government's reporting systems provided adequate disclosure of advertising costs.

We concluded that:

- **Continued selection of the incumbent Agency would seem virtually unavoidable.**
- **Controls over operational, administrative, accounting and reporting practices were satisfactory, although about 50 per cent of the publishers of ethnic publications did not submit any proof of circulation.**
- **For various reasons, the Government's reporting systems did not accurately disclose advertising costs.**

DETAILED FINDINGS AND RECOMMENDATIONS

Agency of Record

a) Overview

In June 1972, the Committee on Government Productivity (COGP) recommended the establishment of a centralized media purchasing system for Government advertising as a means of achieving maximum cost efficiencies such as volume and frequency discounts offered by the media. This led to implementing an Agency of Record (AOR) media purchasing system for Canadian media purchases on behalf of the Province of Ontario.

On November 26, 1974, Management Board of Cabinet, as a result of a competition, approved the selection and appointment of an advertising agency as AOR for the Province of Ontario for a period of three and a half years commencing December 1, 1974 and terminating on May 31, 1978.

In 1978 and again in 1982, upon expiration of the AOR's contract, presentations were solicited from the existing agency and two other leading advertising agencies. As a result, the existing agency was twice reappointed over this period as the AOR for the Province. The current contract is for a period of three years ending August 31, 1985.

The AOR coordinates and executes all Canadian print, outdoor, transit and broadcast media purchases made on behalf of the Province of Ontario with the exception of personnel advertising. Each ministry, Crown corporation and agency is responsible for its own advertising program and media plan, and through its participating agencies, defines its Canadian media purchasing requirements which are then handled by the AOR. Canadian media include newspapers, magazines, outdoor and transit advertising space, radio and television commercial time. For foreign media, the agency representing the ministry can make media purchases independently of the AOR.

The AOR function is coordinated on behalf of the Government by

the Ministry of Tourism and Recreation's Corporate Advertising and Special Projects Group.

The AOR is billed by the media at the contract rate of the media less 15 per cent. The AOR in turn invoices the Government ministries and agencies at the full contract rate of the media plus delivery and emergency telephone and telex charges. The AOR retains a fee representing 2.25 per cent of the contract rate of the media and remits the balance of 12.75 per cent to the participating agencies involved in the creation of the advertising material to be placed in the media.

For the 1983 fiscal year, the Province was billed a total of $27.17 million by the AOR, representing $14.14 million for ministries and $13.03 million for agencies, boards, commissions and Crown corporations. These figures represent the total cost of Canadian media purchases but exclude creative production costs such as artwork, tapes and film production costs incurred by participating agencies, for which the various Government ministries and agencies are billed separately by their participating agencies.

b) Selection Process

The policy and guidelines which apply to the selection of the AOR include the following criteria and rating points:

Rating Points	Criteria	Includes
30	Capability	— Professional qualifications, track record, government accounts
20	Comprehension	— Of program and media planning requirements
10	Compatibility	— Personal chemistry
10	Service	— Availability of senior personnel
20	Sensitivity	— Awareness of government objectives, sensitive to public needs
10	Overall Impression	— Of agency's presentation
100		

In August 1982, prior to the expiration of the contract with the incumbent, a Review Committee was set up for the selection of the AOR. This Committee consisted of five senior Ministry/Crown Agency personnel, all of whom had wide government and industry experience in advertising, marketing and communications management.

Three advertising companies including the incumbent were invited to make capability presentations to the Committee. The presentations were assessed by the Committee members on the basis of the selection criteria established by Management Board Secretariat and the Council of Communications Directors.

The overall score received by the incumbent was significantly higher than the other two competitors.

In a report to Management Board, the Committee by a unanimous decision, recommended that the incumbent continue as AOR for the Province of Ontario. On August 30, 1982, Management Board of Cabinet approved the appointment of this firm as AOR for the period September 1, 1982 to August 31, 1985.

In our opinion, the selection process places a heavy emphasis on previous government experience and awareness of needs, particularly in an agency of record role. In these circumstances, assuming satisfactory performance by the incumbent agency, its continued selection would seem virtually unavoidable.

Operating Practices — Ethnic Publications

In 1974, the Government of Ontario Information/Communication Program (GI/CP), in which is included the "Ontario 20" Ethnic Advertising Program, was established to keep the non-urban, Native Indian and ethnic population of Ontario informed of Government programs.

The objective of this program is to increase awareness and promote better understanding of Government policies and programs among ethnic, Native Indian and non-urban segments of the population. The Corporate Advertising and Special Projects Group of the Ministry of Tourism and Recreation has been assigned the responsibility for coordinating and determining the contents to be used for executing this program.

The AOR was selected and has been responsible for the creative development and analysis of the GI/CP since 1974.

For the 1984 fiscal year, Management Board approved $1.6 million for this program.

Advertising for this program is usually placed with English and French weekly newspapers, ethnic TV and Radio programs and Native Indian and ethnic publications. The Ministry has established guidelines for ethnic publications to qualify for Ontario Government advertising. Every publisher is required to submit a qualifying application for Government of Ontario Ethnic Advertising Program. We were advised that the application is reviewed and approved by the Corporate Advertising and Special Projects Group of the Ministry in consultation with the AOR.

The publishers of ethnic publications establish their advertising rates on the basis of 1,000 copies circulated in Ontario. A majority of these publications are circulated free of charge. As proof of circulation, publishers are requested to submit a notarized sworn statement of circulation or a printer's invoice on application, and periodically, on request.

Our examination of the 133 approved applications, revealed that 64 ethnic publishers did not submit either sworn statements or printer's invoices as proof of circulation.

We therefore recommended that the Ministry take action to ensure that circulation affidavits or printers' invoices are submitted by all qualified ethnic publishers.

Reporting of Advertising Costs

The Financial Information and Accounting Policy Branch, Treasury Division, Ministry of Treasury and Economics, produces an annual report entitled "Selective Object Code Expenditure Report". This report provides an analysis, by ministry, of the various components comprising such Standard Accounts Classifications as Salaries and Wages, Transportation and Communication, Supplies and Equipment, Services, etc. Advertising costs form part of the Services classification and should be coded to common object codes 411 and 412.

The Manual of the Office of the Treasury defines common object codes 411 and 412 as follows:

411 Communication Services — Advertising Agencies

— relates to services provided by professional advertising agencies.

412 Other Communication Services — includes

— advertising other than "jobs advertising" placed directly with newspapers, radio, T.V. and

— public relations, writing, photography, design, graphics, exhibits, audio visual and film making.

For the 1982 and 1983 fiscal years, total advertising costs as reflected in common object codes 411 and 412 amounted to approximately $40.3 million and $49.9 million, respectively.

Our examination revealed that the "Selective Object Code Expenditure Report" was an inaccurate gauge of Government advertising costs. Reasons included:

- The report included advertising costs for all ministries and only those agencies whose administrative support services are provided by the responsible ministry. **However, agencies that maintain their own financial and accounting records were excluded from this report.** For example, a significant exclusion was the Ontario Lottery Corporation which spent about $17.3 million for advertising in the 1983 fiscal year. Also, Ontario Hydro and Workers' Compensation Board were excluded.

- **As a result of coding errors some advertising costs were not included in accounts 411 or 412. For example, in one ministry we noted that $2.6 million paid to advertising agencies was not included.**

- **Internal costs, such as salaries and wages of personnel involved with Government advertising activities were not included.**

We recommended that these matters be taken up with the Ministry of Treasury and Economics and Management Board Secretariat with a view to having a more accurate and reliable system for reporting Government advertising expenditures.

On September 29, 1983 the Deputy Minister replied as follows:

Agency of Record

> *"The purpose of the Agency of Record selection process is to ensure that Government continues to achieve maximum cost efficiencies through the effective and efficient centralization of media purchasing.*
>
> *"The process allows for the determination, in a fair and impartial manner, of the agency best able to meet the selection criteria as established by Management Board of Cabinet. Experience with government accounts is one component of the capability criterion, accounting for only 10 of the total possible 100 points.*
>
> *"In considering the value of experience it is estimated that the lead time to establish a fully effective Agency of Record operation would be 6 months. On the other hand, the incumbent Agency of Record is evaluated on its ability to maintain, through excellent performance, synergistic relationships with the 14 participating advertising agencies, media representatives and government officials. If the agency's performance is thereby judged as being unsatisfactory, the selection committee would give recognition to the negative effects on the program overall and give a commensurate rating.*
>
> *"However, to overlook the importance of a qualified and time tested agency merely for the sake of change could result in lost time, effectiveness and additional expense."*

Operating Practices — Ethnic Publications

> *"Effective August 15, 1983 the Ministry's revised guidelines for the qualification of ethnic publications to require all publishers to submit copies of printers' invoices together with notarized sworn statements as proof of copies circulated.*

This documentation is required when the application is approved and subsequently on January 1st of each year."

Reporting of Advertising Costs

"While this Ministry has no responsibility for the government system of recording and reporting of government advertising costs, we plan to bring your comments to the attention of the Ministry of Treasury and Economics and Management Board Secretariat."

3.20 Deficiencies re Vehicle Licensing and Registration, Ministry of Transportation and Communications

An objective of a recent audit of the Ministry of Transportation and Communications was to assess the adequacy of the internal controls pertaining to the collection, processing and reporting of vehicle licensing revenue for the fiscal year ended March 31, 1983.

We concluded that internal controls were sufficient to ensure that cash reported by the banks as received from agents was properly transferred to the Consolidated Revenue Fund and reported as such. However, controls were not sufficient to ensure that when licences were sold, all cash collected by the agents was actually deposited to the credit of the Province.

- **Effective reconciliations have been performed to ensure cash reported by the banks as received from agents has been properly transferred to the Consolidated Revenue Fund and correctly recorded in the Public Accounts.**
- **An estimated 2,100,000 "manual" vehicle licence transactions accepted by agents between December 1, 1982 and March 31, 1983 had not been recorded in the system nor reconciled to the related licence applications as at June 1983.**
- **A significant number of transactions accepted by the agents during the period October 26, 1982 to November 30, 1982 had not been updated to the vehicle data base as of June 1983.**
- **An accurate current status of outstanding 1983 agent licence stickers could not be obtained.**
- **There was little control over the monitoring of agent replacement stickers.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The licensing of passenger and commercial vehicles is conducted by approximately 310 issuing agents appointed by the Minister and 11 Ministry

field offices. Revenue generated from this source was approximately $280 million for the 1983 fiscal year. Effective December 1, 1982 the previously manual system was converted to a new computerized Vehicle Registration System (VRS) for the processing of vehicle permits and the reporting of fees collected. Revenue generated from the manual system (April 1, 1982 to November 30, 1982) was $70 million while $210 million was recorded during the period December 1, 1982 to March 31, 1983 when the system was computerized.

Vehicle Registrations — Post December 1, 1982

Effective December 1, 1982 the Ministry introduced a new computerized Vehicle Registration System for the issuing of vehicle permits and the reporting of fees collected. The main features of this system are:

- —All agents have one or more computer terminals on their premises.
- —Pertinent details of the licence plate renewal application are keyed into the system by the agent which results in the updating of the vehicle licence data base.
- —The correct licence fee to be charged by the agent for the vehicle is calculated by the computer.
- —The agents' outstanding stock of licence stickers is updated on a timely basis.

Between December 1, 1982 and March 31, 1983 and especially during the earlier months, the computer system was down periodically due to computer malfunctions. Consequently, the agent could not process renewal applications through his terminal. They were required to determine manually the amount to be collected from the applicant and forward to Head Office for keying into the computer system the pertinent information per the application, and the licence sticker number issued. During this period licence issuing agents processed approximately $48,000,000 of manual transactions. Our review of the manual transactions revealed the following:

- —The Ministry estimated that 2,100,000 manual transactions were forwarded to Head Office by the agents during the above noted period. While our review revealed that virtually none of these transactions had been entered into the system as of June 29, 1983, the Ministry indicated that subsequent to this date a significant number of transactions had been updated to the vehicle data base.
- —There was little control over the storage and transfer to data entry centres on these transactions to ensure the Ministry had not lost any applications.

— **Financial reconciliations between manually accepted fees reported by issuing agents and the underlying applications were completed for only a few of these transactions.**

Until these transactions are keyed into the system and reconciled to their applications:

— **There was no assurance that the issuing agents had reported and deposited the correct licence fee amounts.**

— **Difficulties could arise for both licence applicants and the Ministry.** For example, an applicant may receive an invitation to renew his vehicle licence for a vehicle he no longer owns.

We recommended the Ministry expedite the processing of all backlog manual transactions including the necessary reconciliations to verify that the agent had collected the correct fee for the amount he reported as collected.

Vehicle Registrations — October 26, 1982 to November 30, 1982

The vehicle data base was frozen from October 26, 1982 to November 30, 1982 to facilitate conversion to the Ministry's new computerized Vehicle Registration System. As a result, transactions accepted during this period were not entered into the system and were held for later processing. For example, **out of approximately 190,000 vehicle transfers accepted during this period, approximately 55,000 had not been successfully processed or updated to the data base as of June 1983.**

Our concerns and recommendations for these transactions were similar to the manual transactions discussed previously.

Outstanding Licence Stickers

Until all transactions referred to previously have been entered into the system, **the Ministry's record of agents' outstanding licence stickers is inaccurate and incomplete.**

Accordingly, the agency inspectors were not able to reconcile the agents' actual licence stickers on hand to the computer listing of agents' stock of outstanding stickers based on stickers originally received less stickers sold. Consequently, it was not possible to determine whether an agent may have sold licence stickers but not have reported and deposited the fees received. Because of the foregoing, agency inspections were temporarily discontinued.

We strongly recommended that once all backlogged transactions have been inputted that agency inspections be reinstituted on a timely basis.

Agent Replacement Stickers

Agents have the authority in certain situations to issue a replacement sticker at no charge to the applicant. For example, an agent can issue a free

replacement sticker to customers who placed their original paid sticker in the wrong place on the licence plate. We determined through discussion with Ministry management that there were a significant number of requests this year for no charge replacement stickers. This may be attributable to the fact that the location of the placement of the sticker this year was changed from the previous year.

We noted there was no control in place to monitor the issuance by agents of free replacement stickers to ensure they were legitimate. Without such control there exists a possibility that an agent may collect a fee but report it as a "no charge" replacement fee which could result in lost revenue to the Ministry.

We recommended that the Ministry monitor the level of free replacement stickers issued and investigate those agents with an unusually high replacement rate.

The foregoing comments were transmitted to the Ministry on September 30, 1983. The Ministry has not had an opportunity to respond to our comments and we are, therefore, unable to present its views on the matters raised.

4

COMMENTS ON CROWN AGENCY OPERATIONS

4.1 Introductory Comments

The term Crown Agency for purposes of this segment of the Report includes both agencies of the Crown and Crown controlled corporations, as defined in Exhibit 1 of this Report. A listing of agency of the Crown and Crown controlled corporation audits, by category, for the year ended March 31, 1983 is included as Exhibit 7 of this Report.

4.2 Accountability of Crown Agencies

BACKGROUND

Concerns have been increasingly raised as to the accountability of Crown agencies to Parliament/Legislature and to the Government. For example, in his 1982 annual Report, the Auditor General of Canada dealt with the need for an improved parliamentary control and accountability framework for Crown-owned corporations. He concluded that Parliament was becoming further isolated from the activities of these corporations, and that the growing practice of using such corporations to conduct a widening range of government activities "has so strained the capability of the existing accountability framework that Parliament may not be able to exercise its fundamental responsibility for overseeing receipts and expenditures of public funds."

Additionally, the Ontario Standing Public Accounts Committee held two meetings in June 1983 dealing with this subject in general terms, and reviewed certain aspects of accountability related to seven specific Crown agencies in September.

ONTARIO SITUATION

In spite of certain shortcomings, we do not believe the situation in Ontario presents the same problems as exist at the federal level. Major factors contributing to the more favourable condition here are:

1) Both the number and size of Crown-owned corporations in Ontario is significantly less than at the federal level. The Auditor General's Report dealt with 202 parent and subsidiary corporations with assets of approximately $67 billion, liabilities of over $57 billion and annual expenditures of over $30 billion.

In Ontario, there are more than 275 agencies or groups of agencies, as set out in section 25-2 of the Manual of Administration. However, many of these are small committees and advisory boards. The actual number of active corporations for which annual financial statements are prepared, including subsidiaries, is 82. For the 1982 fiscal year, the assets of these corporations amounted to approximately $27 billion, with liabilities of over $24 billion and annual expenditures of about $6.5 billion. Further, of these amounts, one corporation, Ontario Hydro, accounted for $18 billion of the assets, $15 billion of the liabilities and $3 billion of the annual expenditures.

2) The majority of the 202 federal Crown-owned corporations are audited by public accounting firms, and only about 70 of these corporations are audited by the Auditor General of Canada. In Ontario, on the other hand, the audit responsibility for 50 of the 82 corporations above rests with the Provincial Auditor.

   In this regard, audit legislation at the federal level contains no reference to value for money auditing in such corporations. This, of course, is not the case in Ontario (see section 6.3 of this Report).

At the June 2, 1983 meeting of the Standing Public Accounts Committee, the Secretary, Management Board of Cabinet summarized other factors contributing to the accountability of agencies in Ontario. Included are the following:

1) General rules of practice have been established for all agencies in section 25 of the Ontario Manual of Administration, thus providing a consistent framework for the administration of such agencies. Two noteworthy aspects of these rules, or policies, are as follows:

   (a) Memoranda of Understanding are mandatory for a number of agencies, including operational agencies which are completely funded out of revenues generated by their own operations. The purpose of these memoranda is to clarify the objectives, priorities and performance expectations of agencies, and to define the relationship between agencies and their parent ministry. All such memoranda, after review and approval by Management Board of Cabinet, must be tabled in the Legislature.

   (b) All advisory agencies and all operational and regulatory agencies established since March 12, 1980 must undergo a sunset review within three years of their establishment, unless a specific Cabinet decision to the contrary is obtained.

2) All agencies are accountable to the Legislature through their responsible Minister. It is the Minister's responsibility to answer questions raised in the Legislature and to defend the Estimates in cases where amounts have been provided for agencies.

3) Many amounts in the annual Expenditure Estimates are related to agencies. Since these Estimates are referred for detailed review to either a Standing Committee of the Legislature or the Legislature sitting as the Committee of Supply, ample opportunity exists to question the responsible Minister on key aspects of accountability.

4) Two Standing Committees of the Legislature play an important part in holding agencies accountable for their actions by reviewing, in varying degrees, their operations — the Public Accounts Committee and the Procedural Affairs Committee.

ONTARIO ISSUES

Notwithstanding the preceding points, there are still areas where, in our opinion, a certain degree of accountability to the Government and to the Legislature is lacking on the part of incorporated Crown agencies in Ontario. A period of budgetary restraint, such as we are now experiencing in Ontario, requires a higher degree and a higher quality of government and parliamentary scrutiny of the establishment and operations of these Crown agencies. The major issues related to accountability in Ontario, as we see them, are summarized as follows:

1) Although the Legislature should play an important role in the establishment of such agencies with debate and approval of pertinent legislation, to an increasing degree, this is not the case. There are two facets to this issue:

   (a) During the past three fiscal years, a total of sixteen new Crown agencies, excluding subsidiaries, have been incorporated in Ontario. Of these, only three were the direct result of legislation, thus requiring the specific approval of the Legislature. Five were incorporated under the Business Corporations Act or the Corporations Act, and eight were established by Regulations issued under related legislation. For the latter thirteen corporations, therefore, the specific approval of the Legislature was not required.

   (b) Reference was made in section 3.15 of our 1982 Report to wholly-owned subsidiaries of the Ontario Energy Corporation and the Urban Transportation Development Corporation Ltd. During the 1983 fiscal year, a wholly-owned subsidiary of the IDEA Corporation, IDEA

Biological and Medical Technology Fund Inc., was established pursuant to the Business Corporations Act. These subsidiaries were all created without the specific approval of the Legislature.

A further problem related to the accountability of such subsidiaries, as covered in section 3.15 of our 1982 Report, is whether such corporations are subject to the provisions of the Audit Act.

2) There is currently no process under which the annual operating budgets of opertional agencies which are completely self-funded, are subject to review and approval by either Government or the Legislature. Major examples of corporations in this category are Ontario Hydro, Ontario Lottery Corporation, Urban Transporation Develoment Corporation Ltd. and The Niagara Parks Commission.

   Additionally, for these self-funded agencies, there is no requirement whereby either the Government or the Legislature receive information as to the efficiency of their operations or how well they are meeting their objectives.

3) Confusion results, hence clouding the accountability issue, when different agencies have similar and overlapping mandates, or where their mandates overlap those of a ministry in part. Uneconomic and inefficient use of resources can also result from this type of a situation. For example, one of Ontario Hydro's purposes, as set out in its Memorandum of Understanding, is "the provision of energy conservation programs to encourage the safe and efficient use and the conservation of all forms of energy." At the same time, the description provided in the Estimates for the Ministry of Energy's $28.9 million Energy Conservation Program is "to reduce the rate of growth of demand for energy by inducing efficient and non-wasteful energy utilization".

   Also, in varying degrees, the mandates of The McMichael Canadian Collection, The Ontario Heritage Foundation and the Art Gallery of Ontario all include the acquisition of works of art.

   In connecton with this issue, however, it should be noted that, since 1978, the Standing Procedural Affairs Committee has been examining possible overlapping and redundancy in Crown agencies.

4) Finally, the Estimates process itself, relating not only to Crown

agencies but also to ministries, has been criticized on a number of grounds. The following points were made in the 1979 Report of the Federal Royal Commission on Financial Management and Accountability:

- the process is too demanding on members' time, resulting in superficial or shallow examinations;
- there is a lack of continuity in membership on Estimates committees, and an inadequate level of expertise; and
- there is a tendency to skirt the issues at hand by indulging in partisan wranglings.

Concerns relating to the Estimates process were also raised in the 1982 Report of the Standing Public Accounts Committee. The Committee drew the Legislature's attention to the discussion and recommendations on the Estimates process made by the Procedural Affairs Committee in its report "Proposals for a New Committee System."

In general, we recommend that this section of our Report be reviewed by the Standing Public Accounts Committee, to the extent it has not already been covered in its June and September 1983 meetings dealing with this subject.

4.3 Government and Legislative Review of Agencies, Boards and Commissions

Agencies Review Committee

The Agencies Review Committee, consisting of four Government members of the Legislature, was established by the Government in March 1978 and given the mandate to review the need for all Provincial Agencies, Boards and Commissions and to recommend, where it would be advantageous:

—the transfer of the functions of an agency to a ministry, thus eliminating the agency;

—the merging of two or more agencies with the retention of the functions for which they are responsible;

—the elimination of an agency and the functions for which it is responsible.

In addition, the Committee was requested to recommend an appropriate process to ensure that new agencies are established only when that particular form of organization is necessary.

The Committee tabled its first report to the Legislature in November 1978 outlining its results and evaluation of approximately 100 agencies.

The second report tabled in March 1980, centred on general policy questions related to the administration of agencies. This report established guidelines for conflict of interest, administrative practice and relationship with parent ministry which were subsequently incorporated in the Manual of Administration. This report also established a policy which standardized a procedure for the development of a "Memorandum of Understanding" between a ministry and an agency.

The third report tabled in June 1981, outlined a sunset review process for all advisory agencies. The Agencies Review Committee was terminated with the tabling of its third and final report.

Sunset Review Process

The objective of a sunset review is to determine as at a specified date whether an agency should be terminated or be continued for a further period of time.

The initial policy on sunset reviews developed by the Agencies Review Committee was approved by Management Board and Cabinet in January 1981. In light of practical application, this policy was subsequently revised and approved by Management Board and Cabinet in October 1982. The policy, procedures and guidelines for sunsetting an agency are outlined in the Ontario Manual of Administration.

All advisory agencies (79) existing as at March 12, 1980 were scheduled for sunset reviews on a staggered basis commencing March 31, 1982. Advisory agencies established after March 12, 1980 have a sunset provision included in the legislation, Order in Council or regulation establishing the agency. Operational and regulatory agencies established after March 12, 1980 are also subject to a sunset review, unless Cabinet decides otherwise.

Management Board Secretariat in cooperation with ministries develop an annual schedule of sunset reviews. The review is undertaken by the responsible ministry in consultation with other ministries, individuals and groups as appropriate. The review addresses the following major issues:

- need for the agency;
- relevancy of agency objectives;
- alternatives to the agency form of organization;
- duplication/overlap;
- adequacy of terms of reference;

- adequacy of agency structure;
- effectiveness and efficiency of agency operations;
- acceptability and cost-effectiveness of agency recommendations, reports and advice;
- adequacy of the reporting relationship with the Minister/Ministry.

The sunset review of an agency together with the responsible Minister's recommendation and necessary documents for implementation are submitted to the appropriate Policy Field Committee and Management Board for review. The evaluation is reviewed to ensure compliance with the guidelines and whether the recommendation is justified. The Minister's recommendation and that of Policy Field Committee are considered by Management Board and submitted to Cabinet for final approval. The decision of Cabinet is required to be tabled in the Legislature by the responsible Minister.

If the decision is to terminate an agency, an amending Order in Council or legislative action is required. Where an agency is to be re-established, an Order in Council, or where necessary, legislation is required which shall include a new date for a sunset review. In no case, shall this date be more than five years after the previous termination date.

As at March 31, 1983, a total of 62 agencies' reviews had been made under the sunset review process.

Summary of Activity

The following is a summary of termination activity from March 1978 to March 1983.

Decision	Agencies Review Committee	Sunset Review Process	Total
Terminate	33	13	46
To be terminated	—	2	2
Total	33	15	48

At the time of the establishment of the Agencies Review Committee, the exact number of agencies or groups of agencies in existence had not been ascertained. However, at the commencement of the sunset review process, a total of 267 agencies had been determined. While 15 agencies have been terminated or are pending termination through the sunset review process, additional agencies have been created. As at April 1, 1983, there has been a net increase of 10 to 277.

Standing Committee on Procedural Affairs

The Standing Committee on Procedural Affairs, established by the Legislature in June 1977, has also been given the power to review the

operations of all Agencies, Boards and Commissions to which the Lieutenant Governor in Council makes some or all appointments, and all Corporations in which the Crown in right of Ontario is a majority shareholder. The reviews are undertaken with a view of reducing redundancy or overlapping.

As at March 31, 1983, this Committee had tabled six reports in the Legislature detailing the results and recommendations of its review of 39 Agencies, Boards or Commissions. These reviews concentrated mainly on regulatory or operating Agencies, Boards or Commissions. Ministers responsible for these agencies were requested to respond to the recommendations of the Committee and the responses were included in subsequent reports tabled in the Legislature.

This Committee recommended two agencies to be terminated. One of these was terminated. In the other instance, it was decided to continue the agency as a result of a further review by the sunset review process.

4.4 Inadequate Premium Levels Resulting in Heavy Losses, The Crop Insurance Commission of Ontario

The Crop Insurance Act (Ontario) came into force on September 22, 1966, establishing The Crop Insurance Commission of Ontario as a corporation without share capital. The Commission's principal function is the administration of plans of crop insurance established by regulations made under the Act. Forty-five separate crop insurance plans were in force for the 1983 fiscal year. The Commission's audited financial statements for the year ended March 31, 1983 reflected total assets of $4.0 million, a deficit of $47.7 million and total liabilities (including advances of $47.5 million from the Treasurer of Ontario) of $51.7 million.

During our current year's audit, we noted that:

- **Premium levels for certain crops were inadequate.**
- **The possibility of reinsurance with Canada should be actively pursued.**

PREMIUM LEVELS

The Minister of Agriculture and Food has stated he intends to operate the Commission on a businesslike, actuarially sound basis. The Commission's 1981-82 MBR and the federal provincial agreement provide that the coverage and premium rates for each crop insurance plan should be set so as to generate premium income equivalent to claims over the long term exclusive of administrative costs.

While over half of the Commission's 45 crop plans were currently in a surplus position some crops were far from achieving this objective. For instance, the flue-cured tobacco plan had a cumulative deficit of $72 million at the end of the 1982 crop year. The tobacco crop's claim and premium history over the last few years was as follows:

Crop Year	Tobacco Gain/(Loss)	Average Premium Per $100 Coverage	Surplus (Deficit)
	$	$	$
1978	3,050,407	3.29	7,746,678
1979	(41,887,336)	3.20	(34,140,658)
1980	2,524,885	5.68	(31,615,773)
1981	10,385,955	5.66	(21,229,818)
1982	(51,091,904)	5.45	(72,321,722)

In 1979 the large losses resulted from blue mold disease and in 1982 much of the crop was destroyed by an early frost.

In our 1979 report we commented on the possible inadequacy of premium levels for certain crops. In replying to our 1979 report, the Commission did acknowledge that "premium reserves in some crops like tobacco should be between 30 and 50% of the total liability". Accordingly, we would have anticipated that tobacco premiums after 1979 would have been established at higher levels.

For example, using the average premium rate of $5.60 since 1979 and even assuming there were no major crop failures as was the case in 1982, we calculated that it would have taken 22 years to accumulate the required reserve. While we acknowledged that the premium increase in 1980 was as much as the "market" would bear, we felt the decision to keep rates stable thereafter was questionable.

In conclusion, although we noted that many plans had premiums which were sufficient, we felt the Commission should reassess premium levels on flue-cured tobacco and all other plans which were in a deficit or minimal surplus position and build the reserve for such plans up to a sufficient level as compared to the insured liability outstanding.

Our belief that the Commission could increase premiums on such plans was further supported by the fact that:

- —Ontario's premiums as a percentage of coverage have consistently been the lowest or one of the lowest over the years compared with the other provinces.
- —The current subsidization by Canada and Ontario with respect to premiums is at 50% while the U.S. federal crop program is subsidized at only 30%.

REINSURANCE WITH CANADA

Under the Crop Insurance Act (Ontario) the Commission can reinsure with any other insurer the risk or any portion thereof under its various crop plans. We were advised that the Commission had been recently communicating with the Government of Canada in an effort to investigate the feasibility of reinsuring with them.

In light of the growth in total coverage (risk) from $6.7 million in 1969, when Ontario withdrew from the reinsurance agreement, to the 1982 coverage of $470 million, we recommended as we did in our 1979 Report, that the Commission actively pursue and investigate the advantages and disadvantages of reentering into the reinsurance agreement with the Government of Canada.

Two matters, in particular, should be discussed with the federal authorities:

- —whether individual crop plans can be reinsured separately, e.g. only reinsure the high risk crops. We were advised by a federal official that this had never been brought up before and it may be an alternative the Commission could pursue;
- —whether the requirement that the deficit be reduced to zero before the Province can enter into a reinsurance agreement is negotiable.

On September 28, 1983, the Deputy Minister replied as follows:

Premium Levels

"All premiums are established following an actuarial calculation by both Commission and Agriculture Canada employees. A 20-year cycle is considered normal in rate calculations. The formula used has been developed, reviewed and approved with actuaries in the Federal Department of Insurance. The Provincial Auditor's calculations used on . . . of his report are simple but have one basic weakness in logic. It has been assumed that indemnities will always average a fixed percentage of premium income. In a situation where premiums are doubled and tripled, such an assumption tends to overstate indemnities. If premium levels are reduced the weakness in logic becomes even more apparent.

"However, the general recommendation that premiums should be reviewed with the objective of eliminating deficits and building reserves is valid and is being aggressively pursued as market conditions permit. For example, tobacco premium income in 1983 is $19.0 million compared to $10.4 million in 1982. The average premium has been increased from 7% in 1982 to 8.5% in 1983."

Reinsurance with Canada

". . . The withdrawal occurred in 1969 when the Commission decided that the diversity of crops grown in Ontario would, in itself, spread the risk. This conclusion was made in light of a required annual contribution of 15% of the total premium to the Federal fund.

"The Crop Insurance Commission is currently negotiating with the Federal officials on all terms and conditions of a reinsurance scheme for future years."

4.5 Audit of Management Controls, Liquor Control Board of Ontario

The December 1982 Report of the Standing Public Accounts Committee recommended that "the Provincial Auditor should undertake a management audit of selected operations of the Board." Accordingly, such an audit was completed and reported to the Board on July 22, 1983. This report included assessments of:

(a) the Board's planning processes,

(b) management controls to ensure due regard for economy in the areas of inventory and store development,

(c) Board practices for recruiting store employees,

(d) management controls for planning and monitoring construction of the new warehouse facility, and

(e) the adequacy of internal controls, including compliance with established policies and procedures, for purchasing goods, services, fixed and moveable assets.

With regard to the preceding objectives, we concluded that:

(a) **There were no processes in place for policy development and operational planning.**

(b) **There was a lack of due regard for economy in the areas of inventory and store development.**

- **Imported wines and beers were warehoused for up to six months in advance of need, thus needlessly tying up capital in inventory and incurring additional costs for outside storage.**

- **Domestic inventory in warehouses was 40 percent in excess of target tables.**
- **Formal criteria were not developed to assist the Board in deciding whether to purchase or lease stores.**
- **Tenders were not invited for the supply and installation of store fixtures.**

(c) **Recruiting practices required improvement.**

- **Written guidelines and procedures reflecting the Board's own operating circumstances and requirements for the recruitment of temporary and permanent employees did not exist.**

(d) **Overall, management controls for the acquisition/construction of the warehouse were satisfactory. However, consultants' supporting source records for payroll costs and reimbursable expenses were not audited by the Board.**

(e) **Internal controls were generally adequate in areas reviewed, although adherence to established policies and procedures could be improved.**

- **Non compliance with Government policy on the private use of government vehicles was identified.**
- **No authority existed for assigning an employee to chauffeur the Chairman on Board business.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The Liquor Control Board of Ontario was established in 1927 and continued as a Corporation under the Liquor Control Act. The purposes of the Board, as outlined in section 3 of the Act, include the power to:

(i) buy, import and sell liquor;

(ii) control the sale, transportation and delivery of liquor;

(iii) establish government stores for the sale of liquor to the public, as well as to determine the classes, varieties and brands of liquor to be kept for sale at such stores and the selling prices thereof;

(iv) authorize manufacturers of beer or Ontario wine to sell such beer or wine to the public in stores owned and operated by the manufacturers, and to authorize Brewers' Warehousing Company Limited to operate stores for the sale of beer to the public.

The Board's financial statements for the year ended March 31, 1983, which are included in Volume 2 of the 1982-83 Public Accounts, reflect total assets of $154.0 million, with corresponding liabilities of $88.4 million and retained income of $65.6 million. For the 1983 fiscal year, sales of liquor by the Board amounted to $1,467.3 million, and the Board's net income was $523.2 million.

Planning Processes

a) Policy Development

Management policies include operational, administrative and personnel directives for managing an organization.

Our review indicated that the Board did not have a formal process in place for identifying and developing management policies. Specifically, management policies had not been developed in areas such as inventory and establishment of new stores.

(i) Inventory

The ordering system for inventory was determined on the basis of a study done in 1962 by a firm of management consultants. This study took into consideration criteria and procedures for order cycles, customer service levels, safety stocks and inventory control levels. Although the Board follows the concepts outlined in this study, our review of the inventory control system revealed that the Board did not have a formal documented policy incorporating the criteria developed in this study for planning and controlling inventory.

(ii) Establishment of New Stores

During the 1983 fiscal year, the Board established 22 new stores across Ontario. We selected 12 of these stores to review the process used by the Board to establish a new store.

Our review indicated that the Board did not have any written guidelines to assist in making decisions to establish new stores. There was no evidence that a feasibility/economic study and a cost benefit/payback analysis were done to justify the need for a new store. Such a study and analysis, if done, can assist the Board in deciding whether to open a new store or expand an existing one to accommodate increased sales.

The Board was of the view that any new store established would be profitable, regardless of location, capital and/or operating costs and sales volume. However, once the decision to establish a new store has been made, procedures were in place for selecting the actual site where the store is to be located.

We felt written guidelines could assist the Board in deciding whether to establish a new store. The potential for maximimizing sales and minimizing costs are essential factors to consider when contemplating the establishment of a new store.

We therefore recommended that the Board give immediate attention to the development of management policies, commencing with its main stream operations.

b) Operational Planning

Our review indicated that the Board did not have an annual operational planning process in place. Although the board did have a budgeting and reporting process in place, the budgets were purely financial in nature and did not include any performance indicators to measure achievement of results. Indicators could include items such as the cost of handling a case of liquor in warehouses and stores, cost of a store transaction, warehouses and stores stockouts occurring in imported/domestic products.

Economy

a) Background

The Board inventory includes about 2,700 listings of domestic and imported liquors. During the 1983 fiscal year, the Board inventory ranged from a low of $112 million to a high of $188 million. As at March 31, 1983, inventory was valued at $128.2 million.

Currenty, the Board operates five warehouses for receiving, storing and supplying all of the Board stores and licencees with spirits, wines and beers. Two warehouses are located in Toronto and one each in London, Ottawa and Thunder Bay.

Ordering and controlling inventory is carried out both at the warehouse and store level. For warehouse inventory, separate departments within the Warehouse Division are responsible for ordering and controlling domestic and imported inventories. For stores, however, responsibility for ordering and controlling inventory is assigned to individual store managers.

b) Warehouse Inventory — Imported Brands

In the 1983 fiscal year, the warehouse inventory for all imported brands of liquor ranged from a low of $30 million to a high of $45 million.

Under the current system, the Board usually orders and receives in advance up to six months of its requirements of most imported wines and beers to cover sales during the winter months. As a result, additional facilities are usually required for storage of imported brands of wines and beers. Shipments of spirits, however, are ordered and received regularly during the winter months.

During the 1983 fiscal year, shipments of about 900 brands out of approximately 950 brands of imported wines and beers were received in advance to cover sales during the winter months. Outside storage costs for the 1983 fiscal year amounted to about $750,000.

We were advised that the Board was conducting a study to determine optimum inventory levels for imported liquor to be warehoused and the practicability and economics of more frequent winter shipments.

We supported this study, as the practice of warehousing wines and beer up to six months in advance indicated a lack of due regard for economy, since capital may be tied up in inventories needlessly and additional costs incurred for use of outside storage.

c) Warehouse Inventory — Domestic Brands

For the 1983 fiscal year, the warehouse inventory for domestic brands ranged from a low of $24 million to a high of $47 million.

For the period ending July 17, 1982, we selected 10 high selling brands for review. **Our findings indicated that the average inventory values during this period were 40 per cent in excess of target tables as determined by the Board. This results in the uneconomical practice of tying up capital in inventory unnecessarily and in the use of additional facilities for outside storage.**

We therefore recommended that the Board review its current inventory management practices so as to determine the optimum inventory levels which would minimize investment in inventory and reduce storage costs.

d) Store Development — Purchasing vs Leasing

As at March 31, 1983, the Board operated 600 stores of which 274 were owned and 326 leased. The Retail Division was responsible for store development which included the activities of construction, purchase and/or lease of property and layout of store premises.

The Board has established a Store Development Committee for the purpose of reviewing and considering all lease renewals, relocation of stores, store conversions, location surveys, the establishment and location of new stores and the purchase and sale of lands, buildings and chattels.

We reviewed the process used by the Board to determine whether to purchase or lease a store. For the 1983 fiscal year, payments for purchasing and leasing stores amounted to $1.07 million and $11.8 million, respectively.

Our review indicated that the Board did not have formal criteria in place to assist in deciding whether to purchase or lease a store. Generally, the Board tends to lease stores in large urban areas and buy or build stores in smaller towns

and rural areas. However, we understood the Board considers buying a lot and building a store more economical, whenever it is practical to do so.

In our opinion, the Board should develop and use formal criteria to justify whether it is more economical to purchase or lease a store.

e) Stores Fixtures

For the 1982 and 1983 fiscal years, the Board made payments totalling $326,400 and $375,800 respectively, to a company for the supply and installation of store fixtures such as shelving and turnstiles.

We examined 18 contracts with a total value of $394,000 awarded to this company. **Of the 18 contracts examined, we found only one instance where competitive bids were requested. We were informed that only a relatively few companies were qualified, interested and willing to submit quotations for supply and installation of store fixtures.**

However, we felt that bids could have been invited from other suppliers to ensure due regard for economy. We noted during our audit that the Board had commenced requesting quotations from three companies for the supply and installation of store fixtures.

Recruitment

a) General

As at March 31, 1983, the Board employed 3,476 permanent and 2,049 temporary employees. Of these 2,757 permanent and 2,030 temporary employees were employed in stores. For the 1983 fiscal year, total expenditures for salaries and benefits amounted to $117.7 million of which about 79 per cent related to store employees.

We reviewed the recruitment process used by the Board for employing both temporary and permanent store employees. **We were informed the Board did not have any formal documented policies, but followed the policies, where possible, as outlined in the Ontario Manual of Administration.**

b) Temporary Employees

The individual store managers are responsible for the recruitment of temporary employees. **However, criteria and procedures were not established to assist the store managers with the recruitment and selection of these employees.** For example, one store manager we interviewed used the earliest application date on file for selecting temporary employees.

c) Permanent Employees

The filling of vacant positions requires the approval of the General Manager of the Board. Usually, the Board grants preference to temporary store employees in filling vacant positions at the entry level. The applicant is

required to pass a written test and obtain a favourable recommendation from his store manager and/or district supervisor. The Personnel Department usually conducts an interview and makes a selection, after which an Order in Council is obtained confirming the appointment of the individual. **These described procedures are generally understood; however, they were not documented.**

We selected a sample of 25 out of a total of 112 permanent hirings at the entry level for the period April 1, 1982 to February 28, 1983 and reviewed the recruitment process.

— **In 11 cases, there was no evidence to indicate that employees had passed a written test.**

— **In 6 instances, there was no evidence of requests or approval for additional staff from store managers or district supervisors.**

— **In 23 positions filled by temporary employees, there was no evidence of letters of recommendation from store managers or district supervisors.**

— In addition, contrary to the Ontario Manual of Admnistration, we found no evidence of:

- screening of applicants
- selection interviews for applicants
- rating and ranking of applicants
- basis for making a selection decision

We therefore recommended that the Board develop written guidelines and procedures reflecting its own operating circumstances and requirements for the recruitment of temporary and permanent store employees.

Acquisition/Construction of Warehouse

a) Background

The Board was in the process of constructing a regional warehouse in Whitby, Ontario. When completed, this warehouse will serve as a distribution centre for liquor throughout Ontario. This project was scheduled for completion in the fall of 1984.

This project was first initiated in March 1977 when the Minister of Consumer and Commercial Relations announced that the Board would build a $40 million bulk storage and distribution warehouse in Durham Region.

In July 1978, the capital costs of the proposed warehouse were estimated to be $52.8 million (1979 dollars).

In March 1979, the Government decided not to proceed with the construction of the proposed warehouse facility and to review the matter at a later date.

However, in May 1979, an Order in Council was approved authorizing the purchase of the land, at a cost of $2.04 million, on which the proposed warehouse facility was to be constructed.

In April 1980, the Government reconsidered the matter and agreed that a new warehouse facility should be constructed for the Board in the Whitby vicinity.

In 1981, a consulting firm hired by the Board estimated the capital costs of this project to be $81 million, (1981 dollars) excluding the cost of land. The design concept for the proposed project had changed significantly from the 1978 submission and accounted for the substantially higher cost estimate.

In January 1982, the Board approved the sum of $105 million, excluding land costs of $2.04 million, for the completion of construction of the new warehouse facility. In arriving at this amount, the Board took into account the 1981 estimated capital costs of $81 million plus inflation to the year 1984 when construction is expected to be completed.

We reviewed the process used by the Board to monitor and control the construction of this warehouse facility. **Overall, we found this project was well managed but the following area could be improved.**

b) Payments to Consultants

The Board had hired a number of consultants to provide services, such as, project management, architectural and civil engineering which were required for the construction of the warehouse facility.

The agreements between the Board and consultants provide for payments to be made based on the consultants' payroll costs plus a fixed percentage thereof. In addition, fee for services, to a maximum, is payable on a fixed percentage of payroll costs. Consultants are also to be reimbursed for certain expenses incurred, such as, travel, telephone and out-of-pocket costs. The agreements permit the Board to audit the records and accounts of the consultants.

Work commenced in September 1980 and as at December 31, 1982, payments totalling about $4.2 million were made for project management and other consulting services related to the Durham Warehouse project.

Our review of the system for payments revealed that the Board had not conducted an audit of the consultants source records supporting claims for expenses, such as, payroll and reimbursable costs. This weakness could result in overpayments going undetected by the Board.

We therefore recommended that the Board's Internal Audit Department conduct an audit of the consultants' supporting source records.

Internal Controls and Compliance

a) Private Use of Board Vehicles

Board employees who are provided with leased vehicles are permitted to use them for private purposes and reimburse the Board for any personal mileage incurred. The reimbursement rate was 15.5¢ per kilometer which had been in effect since October 1981. For the 1983 fiscal year, approximately $2,700 was reimbursed to the Board by employees using leased vehicles for private purposes.

We noted that the Board had recently reviewed its policy and was considering permitting personal use of purchased vehicles as well. Also, an increase was being considered for the reimbursement rate charged to employees using leased vehicles for private purposes.

Usually Government policy prohibits the use of Government owned vehicles for private purposes. We found no evidence that approval was obtained from Management Board exempting the Board from this policy.

b) Use of Employee as Chauffeur

An employee whose job classification was that of a clerk, was usually assigned to chauffeur the Chairman of the Board in the conduct of Board business. We understood this employee was also required to perform other clerical duties when not assigned to chauffeur the Chairman.

We were informed that when the Chairman was hired, it was agreed to provide him with a chauffeur. Also, previous Chairmen were also provided with chauffeurs for conduct of Board business.

Generally, within the Ontario Government, chauffeurs are only permitted for Cabinet Ministers. It was therefore not clear as to what authority existed for assigning an employee to chauffeur the Chairman in the conduct of Board business.

The Board's Chairman and Chief Executive Officer replied as follows on October 3, 1983:

Planning Processes

a) Policy Development

> *"The very general statement that the Board does not have policies in place implies that our operation has suffered — yet the report failed to identify where and how. In actual fact the Board does have written policies in place on many of its management activities, e.g., a Store Operations Manual which covers 90% of our staff and a listing procedure policy*

booklet. Our Committee process ensures compliance with Board policies and allows us the necessary flexibility."

b) Operational Planning

"It is intended that operational planning will be considered in conjunction with our review, of the strategic planning process. It should be noted however that a management control system, designed to measure performance is at the test stage and will be implemented in the current fiscal year.

"With regard to the matter of the performance indicators it should be noted that the auditors were advised that a management control system designed to measure management performance is at the test stage and will be implemented in the current fiscal year."

Economy

Warehouse Inventory — Imported Brands

"The Auditor's comments show a lack of appreciation of the Board's ordering procedures for imported products. Normally the inventories of all high volume suppliers are reviewed every month and orders placed if necessary. Although spirits can be shipped at any time throughout the year, wines and some liqueurs cannot be shipped in the winter unless they are in heated containers. In a number of cases, heated containers are either not available or too expensive to be justified. Under these circumstances the Board must order its requirements for late Fall, Winter and early Spring to arrive in the Fall."

Warehouse Inventory — Domestic Brands

"The finding of a 40% overstocked position is based on inventory procedures developed in 1962. Over the years as conditions have changed the Board has found it necessary to increase stock levels to maintain required service. It was agreed with the Auditors that it is necessary to update the 1962 written procedures."

Store Development — Purchasing vs. Leasing

"The location of stores involves policy decisions that frequently reflect government policy initiatives. The Durham Warehouse was located in keeping with the Provincial Government's 'Go — East' policy. Frequently the Board in response to local municipal initiatives has located stores in downtown areas to assist in redevelopment plans. Such store

locations are not always the most economic locations but the Board believes it is appropriate to assist municipal development in this way.

"Notwithstanding the social considerations in the location of stores, the Board's decisions have always resulted in the stores being located where they earn a profit. Where the level of profit is not consistent with all the considerations the Board must make, the store will be relocated.

"It is not too difficult to decide whether the Board should buy or lease a store when consideration is given to escalating rentals and other problems associated with lessors. Leases are now almost all negotiated on a net, net, net basis which means the Board is responsible for the same costs as it would be if it owned the property. Whenever a property is in question, our Properties Department prepares a comparative analysis to assist us in the decision. Each case is unique in itself and for this reason decisions are made at a top management level."

Store Fixtures

"Some three years ago, the problem was explained to the Financial Audit Group of your office, and since then there have been many suppliers who were invited to quote but refused after having submitted two or three unsuccessful bids. In the interest of uniformity and economy the Board insists on prequalification before accepting quotes to ensure the interchange of equipment between stores at any given date."

Recruitment

"The skill base required for temporary help is minimal and therefore testing is not required. However, there is a routine for testing and assessing employees before appointment is made to permanent staff. As pointed out in our discussion notes and meetings with the auditors, the General Manager approves the filling of a vacancy.

"Within the last six months the Board developed and published staffing standards for all stores positions which are subject to posting for promotion from among Board employees. It is intended that staffing standards for entry level positions will also be established in due course along with written guidelines and procedures for the staffing process."

Acquisition/Construction of Warehouse

Payments to Consultants

> *"We agree that the consulting contract billings should be audited. After receipt of your report our internal audit staff visited the Consultant's offices as suggested in the report."*

Internal Controls and Compliance

a) Private Use of Board Vehicles

> *"It has been the policy of the Board to allow personal use of leased vehicles. It is the Board's view that whether or not it is allowed, there will always be some personal use and therefore it is preferable to authorize the practice and to recover at current government mileage rates, some of the costs."*

b) Use of Employee as Chauffeur

> *"The car provided to the Chairman is used by him for business purposes and involves many situations where the services of a driver are required. However, since the service of the driver is not required on a full-time basis, it was decided to utilize his time more fully by having him assist in our Property Taxes Department. Basically it is a case of a clerk being used as a driver from time to time as required."*

In addition to the preceding responses, the Chairman made the following additional comments of a general nature pertaining to both this and the subsequent section of our Report:

> *"Although the Reports are critical of the Liquor Control Board of Ontario in many areas, they are virtually without evidence that the areas critized have resulted in an inefficient operation or a reduction in revenue to the Province. A great deal of the criticism is directed at our non-compliance with Government procedures which were developed for Government Ministries that administer programs rather than for a retail and wholesale business such as our own. Our different mode of operation was recognized by Management Board of Cabinet when it allocated the Liquor Control Board of Ontario to a Schedule 2 Agency Status, which Agencies are not subject to the administrative policies established by Management Board of Cabinet unless the policies are specifically identified as applying to all Agencies.*
>
> *"Our major concern is for the efficient and effective operation of the Liquor Control Board of Ontario. In*

meeting this objective, we must reflect the social goals of the Province which are not always consonant with maximizing profit. The administration of the sale of alcoholic beverages involves the resolution of many conflicting points of views and does not always lend itself to the rigidity of process that is frequently associated with formal written procedures. As a result of the need to be sensitive to a wide range of opinions and circumstances, many of the Board's policy decisions are made on an individual basis, having regard for the public interests involved. However, in view of the Provincial Auditor's concerns, we have instructed the Liquor Control Board's management group to review the recommendations in detail and to recommend any changes in the planning process or documentation that may be appropriate. This work is under way with the aid of a Management Consultant."

4.6 Review of Computer Operations, Liquor Control Board of Ontario

During the year, an audit of the Board's electronic data processing (EDP) activities and associated controls included assessments of:

(a) internal controls over the provision and use of EDP resources,

(b) management controls relating to the development and maintenance of data processing systems, and

(c) input, processing and output controls in selected application systems.

With regard to the preceding objectives, we concluded that:

(a) **Internal controls over the provision of EDP resources were adequate. However, standards, policies and procedures for monitoring the use of these resources were deficient.**

- **Records pertaining to the procurement, control and maintenance of hardware and associated computer equipment were satisfactory.**
- **System performance was not being monitored.**
- **There were no standards against which management could measure productivity.**
- **Job descriptions were not complete or accurate.**
- **The training for personnel needed further attention.**

(b) **System development standards were adequately documented, although compliance therewith was deficient.**

- **Management approvals were not being obtained for system development phases.**
- **The system for accumulating project costs did not provide sufficient information to assist management in the decision making process.**
- **Procedures for making changes to existing systems were not being complied with.**

(c) **Internal controls built into the application systems selected for review were satisfactory. We did, however, note a deficiency in documentation.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The Board's EDP expenditures for fiscal years 1981 and 1982 were $1.81 million and $2.06 million respectively. The EDP budget for 1983 was $2.05 million.

All data processing activities are carried out by the Data Processing Department of the Planning and Technical Services Division. The responsibilities of this department are to direct and coordinate all systems development, programming, and computer operations for the Board.

The Board has its own large mainframe computer. This equipment was installed and leased in December 1979 and purchased in March 1982. All computer systems are processed "in-house" and no external or service bureau facilities are utilized for processing.

Provision and Use of EDP Resources

a) Hardware

We examined the records for the procurement and control over hardware and associated computer equipment. **These records were accurate and up to date. Maintenance contracts were in effect for the equipment and the terms and conditions of these contracts were being complied with.**

b) Systems Software

The close monitoring of systems performance can provide useful information to management concerning the efficiency and effectiveness of operations. It can also provide tangible assistance in determining training needs, new hardware and software requirements, work load scheduling and resource allocation.

Systems performance was not being monitored on a continuing basis and no records were being maintained. However, at the time of our audit a new release of the operating system was being installed and tested. We were advised that once this system had "settled down" system performance monitoring would be undertaken.

c) Personnel

Management controls over the personnel resources used in the data processing area required strengthening. **Job descriptions were not available for all positions and those that were available did not reflect the actual duties being performed.** Several of the staff stated that they had never seen their job descriptions.

There was no formalized training program for the data processing staff. In addition personnel in supervisory positions related that they had not received any training in "people skills".

An effort was made in 1980 to organize management training for project leaders and supervisors but this has not been continued. Turnover and recruitment of new personnel plus a heavy work load caused this program to lapse.

Few systems software personnel were technically knowledgeable in the on-line and data base management systems areas. Personnel turnover, 14 new staff in a complement of 21 had been hired within the past 2 years, could have contributed to this situation. However, the implementation of a formalized training program could help to alleviate it.

We therefore recommended that:

—job descriptions be written, approved and made known to all personnel;

—a management and technical training program based on individual needs be instituted.

Development and Maintenance of Data Processing Systems

a) Standards

A Data Processing Standards manual was written in 1975. The standards required that, "each phase is to end with a formal report to the management of Data Processing and the functional area. Management will review the results of each development phase and authorize in writing the start of the next phase".

We selected 15 projects, based on their financial impact and development costs, out of approximately 40, for compliance with the standards. Of these 15 projects:

—4 were operational systems;

—6 were maintenance projects;

—1 was a major system conversion; and

—4 were systems under development.

Our tests showed that the standards were rarely adhered to and management controls were weak. We were unable to locate the following documents in most cases:

—feasibility studies describing alternative options;

—cost/benefit analysis for the option selected;

—detailed project and implementation plans by which management could monitor cost/performance achievements; and

—post-implementation reviews affirming or otherwise that expected objectives had been met to management's and the user's satisfaction.

We recommended that management review the standards to determine if they were applicable for today's developmental environment, and establish the necessary procedures to ensure compliance with the standards.

b) Project Cost Accounting and Control

An essential element of project control is the provision of meaningful information to management upon which they can make timely decisions concerning the project. Such questions as: Is the project on schedule and within budget? Are additional resources required? Should the project be amended or cancelled?, etc., can only be answered if accurate and complete figures are available.

In our opinion, the method of accumulating project costs did not provide the required information. Specifically:

—budget figures for the various development phases were not input into the system;

—all actual costs incurred for each project were not accumulated on a phase by phase basis;

—comparisons of costs to budgets were not possible; and

—little useful management information was provided.

We therefore recommended that management establish a project cost accounting system to provide the information upon which management control can be exercised.

c) Changes to EDP Systems

Procedures for instituting changes to EDP systems were described in the Data Processing Standards manual. The manual states that "requests for major changes or revisions to a system are handled like new projects according to the systems analysis standards".

We reviewed the procedures and found them to be adequate. However, our compliance tests showed that these procedures were generally not adhered to. Specifically, we noted instances where:

—formal authorization for system changes was not obtained;

—documentation was not updated after the changes had been implemented;

—the tasks of programming changes, implementing and testing these changes were not properly segregated;

—emergency changes were not subject to user testing, user review and approval and were not incorporated into documentation updates.

We recommended that management take corrective action to ensure that the procedures are adhered to.

Controls in Application Systems

We selected two application systems for a detailed review of the input, processing and output controls in each. The two applications were:

1) Domestic Receiving System; and

2) On-line Distribution Centre System (DICE).

a) Domestic Receiving System

The Domestic Receiving System, implemented in 1981, consisted of a series of on-line modules that interface with the Warehouse Receiving System which became operational in the early 1970's. The purpose of these new modules was to provide accurate and rapid updates to the warehouse data base as domestic shipments were received.

We examined the internal controls in this system and were satisfied that these were complete, accurate and functioning in accordance with the user's requirements.

Documentation for this system was good and consisted of:

—Terminal User's Guide;

—Warehouse User's Guide;

—Computer Operator's Manual; and

—9 Volumes of Program Documentation.

b) On-Line Distribution Centre System

This system was implemented in the early 1970's. It consisted of both on-line order entry and batch modules which produced daily reports, invoices and stock transfers from the warehouse to the distribution centre.

We examined the internal controls within this system and found them to be satisfactory.

Documentation for this system was below standard. The system manuals were not current and included programs and transactions codes which had been discontinued. Programming manuals were not up to date and did not reflect changes that had been made over the years.

While we appreciated that updating documentation is an onerous task that often gets overlooked under pressure of more challenging assignments, we felt that accurate documentation is an essential ingredient of every system.

We recommended that procedures be established to ensure that documentation is kept up to date as changes are made to application systems.

On October 3, 1983 the Board's Chairman and Chief Executive Officer replied as follows:

Provision and Use of EDP Resources

Systems Software

> *"Systems performance is measured but the tools available are quite different, and far less sophisticated, than those provided with the equipment used by large, multi-user, data centres."*

Personnel

> *". . . The Board is of the opinion that job descriptions for EDP personnel are in place, are accurate, and are available, on request, to employees.*
>
> *"During the fiscal year 1982/83, the Board spent $21,897 on technical training for EDP personnel. The immediate need for such training was considered a high priority to improve the efficiency and effectiveness of the operations. Management training needs will be assessed and considered at a future time."*

Development and Maintenance of Data Processing Systems

Standards

> *"The Board is making a major investment in the Durham*

Project. To support this facility a number of operational computer systems are in development and are absorbing the majority of the Systems staff's time.

"These systems were part of the initial design of the warehouse and were included in the feasibility study for the complete project. The costs are included in the Board-approved capital budget. Furthermore, all designs and implementations are formally approved by User Management.

"Nonetheless, in future projects we will adhere more closely to our development standards."

Project Cost Accounting and Control

"EDP projects are controlled in terms of estimated against actual time spent. This can easily be translated into costs by the application of current salaries. Since the Systems department does not control salary levels the application of time is a more stable control indicator."

Changes to EDP Systems

"The staff and procedures for the maintenance section were in the process of change at the time of the Audit. Our new procedures will address the concerns mentioned in the audit report."

Controls in Application Systems

On-line Distribution Centre System

"We assume that the comments concerning manuals for the Distribution system refer either to some programs developed in 1968/69, which do not meet current standards, or a series of on-line product and inventory enquiries. In the latter case the enquiries were developed as part of another system. We felt that they were general purpose in nature, and sufficiently user friendly that operating manuals were not necessary.

"We have and will continue to strive to improve documentation."

4.7 Lack of Economy re Consulting Services, The Live Stock Financial Protection Board

The Live Stock Financial Protection Board was established as a corporation without share capital effective September 1, 1982 by regulation

made under the Farm Products Payments Act. The Board was constituted to administer The Fund for Live Stock Producers, which was established under the same regulation to protect producers and other sellers of beef cattle against loss through default in payment by dealers. Operations for the seven months ended March 31, 1983 consisted of receipts of $567,000, including a $25,000 grant from the Ministry of Agriculture and Food, and disbursements of $71,000 resulting in a Fund balance of $496,000.

In our opinion, there was a lack of due regard for economy in connection with the engagement of consultants.

To assist in the start-up of the new program, two public accounting firms were appointed to design a system for licence application control and to assess the financial position of the applicants based on financial information submitted by them. For this service, the Ministry of Agriculture and Food paid approximately $200,000 on behalf of the Board. The following problems were noted:

- **Over $34,000 was spent on computer programming and service bureau costs. This system proved unreliable and was abandoned and replaced by a Ministry microcomputer programmed by a summer student.**

- Most of the licensing application review procedures were performed by employees of the accounting firms. **Approximately 425 applications were processed and the total amount charged for this service was approximately $117,000 or $275 per application.**

  This work was performed primarily by chartered accountancy student trainees whose time was billed to the Board at rates of $35 to $55 per hour. We understood that this work is presently being handled quite capably by the Board's internal administrative staff.

- The original fee estimate for the application review work was based on about 1,200 applicants, yet only about 425 applications were actually processed by the accountants. There was no significant adjustment in fees charged due to the lower number of applications received. This may have been partially due to the fact that the number of accountants assigned was often disproportionate to the actual work available.

Although the preceding matter had been reviewed with officials of the Board, no formal report had been issued as at September 30, 1983. Therefore, we are not able to present the Board's views on the subject matter.

4.8 Lack of Competitive Bids re Advertising, Ontario Lottery Corporation

This Corporation was established to develop, undertake, organize, conduct and manage lottery schemes. The Corporation's audited financial statements for the year ended March 31, 1983, which are reproduced in Volume 2 of the 1982-83 Public Accounts, reflected total assets of $59.9 million, with corresponding liabilities. Revenue for the year was $512.3 million, and expenditure totalled $348.8 million.

Since the Corporation's advertising expenditures for the 1983 fiscal year totalled approximately $17.3 million or 31 per cent of the Corporation's operating expenses, we reviewed the marketing department's operations. Our review concentrated on Wintario, Lottario and the Provincial, the three games which had the largest advertising expenditures (totalling approximately $13 million).

From our review, we found that:

- **An advertising agency was selected without competitive bids.**
- **Subcontractors were selected without obtaining competitive bids.**
- **More effective advertising may have resulted by pretesting a new game feature of Wintario.**

Selection of Advertising Agency

In June 1982, a new on-line game, Lotto 6/49, was launched. **We noted that competitive selection procedures were not used when hiring the advertising agency handling this game.**

We felt that, particularly in light of the magnitude of advertising expenditures, that other agencies should have been allowed the opportunity to present their qualifications. Accordingly, we recommended that for all future contracts:

(a) all major advertising agencies be requested to outline their interest and qualifications; and

(b) at least three agencies should be invited to give capability presentations to an agency review committee with each agency being evaluated based on predetermined selection criteria.

Subcontracting of Advertising Productions

During the 1983 fiscal year, approximately $600,000 in advertising production costs was subcontracted by the Corporation's advertising agencies to other companies. **We noted that on a number of occasions production costs in excess of $5,000 each were incurred without obtaining competitive bids from other possible suppliers. We also noted that one agency subcontracted**

approximately $50,000 of work to two of its sister companies. Since the agencies were paid a commission based on the cost of materials and services purchased, there was little incentive for them to acquire these at the lowest price.

During the course of our review we were pleased to note that the Corporation instituted production estimate forms to be completed by the agencies pertaining to supplier quotations received. These forms will be submitted by the agencies to the Corporation for approval.

Pretesting New Features

We noted that the Corporation normally determines the possible impact that a change in a game may have on a consumer's playing behaviour by pretesting all new significant game features. As a result of this pretesting, a new feature may be introduced, changed or even dropped if it is evident the change has minimal player appeal. If a new feature has minimal player appeal, the Corporation could save the advertising expenditures allocated to this feature.

In April 1982 the Corporation introduced "Snowball", a new feature of Wintario. **Although approximately $1.9 million was spent for production and media costs to promote "Snowball", we noted that this feature was not pretested by the Corporation prior to its introduction. In December 1982 "Snowball" was dropped due to a lack of appeal to players.**

While we understood that a significant portion of the $1.9 million would still have been spent on sustaining interest in Wintario, we recommended that all significant game changes or new features requiring significant advertising expenditures in order to promote the new feature be pretested prior to implimentation.

The foregoing comments were transmitted to the Corporation on September 30, 1983. Since the corporation has not had an opportunity to respond to our comments, we are unable to present its views on the matters raised.

4.9 Lack of Coordination re Future Pod Advertising, Ontario Place Corporation

The Corporation's audited financial statements for the year ended March 31, 1983, are reproduced in Volume 2 of the 1982-83 Public Accounts. The Corporation's objects include the operation of Ontario Place as a provincial exhibit and recreational centre, and the development of projects and programs designed to provide the people of Ontario with a greater appreciation of the Province.

During our current year's audit, we noted that advertising expenditures were not reduced as a result of Future Pod advertising funded by BILD.

During the year ended March 31, 1983, advertising expenses of the Corporation totalled $1,048,000. In addition, $348,000 for Future Pod was funded by the Board of Industrial Leadership and Development (BILD).

A memorandum of agreement between the Ministry of Tourism and Recreation and the Corporation stated that all advertising related to Future Pod would be coordinated with the Marketing Department of Ontario Place. However, we noted that, in practice, the advertising effort for Future Pod was conducted with little consultation with the Corporation's Marketing Department.

Since Ontario Place's regular advertising and the advertising for Future Pod were both ultimately directed at encouraging people to visit Ontario Place, advertising should have been coordinated to ensure maximum value for advertising dollars spent was achieved. **In addition, we felt a coordinated effort should have enabled Ontario Place to reduce its initial budgeted advertising expenditures given the exposure resulting from the Future Pod advertisements.**

The Chairman of the Corporation replied as follows on September 29, 1983:

> *"During the summer of 1982, the Board of Industrial Leadership and Development sponsored and funded a new high technology exhibit at Ontario Place. A portion of the funds allocated by BILD to this exhibit was for the express purpose of conducting a distinct Future Pod advertising campaign to satisfy the following objectives:*
>
> *— to implement a strong start-up media campaign to create and sustain consumer awareness of Future Pod as an exhibit housed at Ontario Place.*
>
> *— to permit the development of media creatives specific to Future Pod establishing its unique identity as a state-of-the-art technology exhibition.*
>
> *BILD's advertising expenses associated with Future Pod 82 were $347,957.*
>
> *"Ontario Place Corporation strongly contends that BILD*

funds devoted to Future Pod advertising should not be considered as part of the Corporation's advertising expenses. The Corporation's own advertising expenditures increased by only 9.9% from $954,368 in 1981 to $1,048,814 in 1982. This was actually below the average inflationary media rate increase of 12.2% for the same year.

"It is important to note the administrative arrangements which pertained to BILD's Future Pod expenditures to place, in context, the role of Ontario Place's Marketing Department in Future Pod's 82 advertising campaign. Signing authorities for the appropriation of BILD monies related to Future Pod, including expenses related to advertising, were with the designated co-ordinator of the BILD Future Pod project, Ministry of Tourism and Recreation's Executive Co-ordinator, Advertising and Promotion Services Group and the Future Pod Project Manager. As per the memorandum of agreement between the Corporation and the Ministry, the Corporation's General Manager and Secretary-Treasurer had co-signing authority.

"In 1982, the Corporation's Marketing Manager did not have signing authority for Future Pod advertising expenses. Effective 1983, the sole administration and control of Future Pod budgets was assumed by the Corporation with the Marketing Manager acting as signing authority for all requisitions related to advertising.

"Notwithstanding the administrative arrangements in effect in 1982, the Corporation's Marketing Manager was involved in the approval process for the Future Pod media buy and was advised of the type of creative purchased. This level of participation by the Corporation ensured an appropriate fit between the campaigns executed for Future Pod and the general site.

"In addition, to maximize the economies of Future Pod media purchases, the television and newsprint buys were co-ordinated and integrated with those of the Corporation. For example, television ads were placed on behalf of the Corporation with weekly ad weightings determined by the respective budgets, and Future Pod newsprint ads ran on weeks when site advertising was not placed.

"The Corporation believes that the co-ordinated, but distinctly managed advertising campaigns for Future Pod and Ontario Place during 1982 achieved maximum results

for both attractions, and was necessary to Future Pod's initial success."

4.10 Irregularities re Engagement of Consultants and Other Matters, Ontario Waste Management Corporation

This Corporation was established on July 3, 1981 under the Ontario Waste Management Corporation Act, 1981, to research, develop, establish, operate and maintain facilities for the transmission, reception, collection, examination, storage, treatment and disposal of waste, including sewage. The March 31, 1983 combined audited financial statements of the Corporation and its inactive predecessor, the Ontario Waste Management Corp., disclosed total assets of $1,206,000 with offsetting liabilities of $905,000 and a surplus of $301,000. Revenue for the year (including grants of $4,900,000 from the Province) was $4,917,800, and expenditure totalled $4,828,000.

Our current year's audit report to the Corporation highlighted the following matters:

- **There were irregularities, including the lack of competitive bids, in connection with the engagement of consultants.**
- **Editing and transcription services were not being obtained economically.**
- **New salary arrangements were made for the Chairman effective March 1, 1983.**
- **No action had been taken to recover salary overpayments noted during the course of our audit.**
- **Boardroom chairs were purchased at an excessive cost.**

HIRING OF CONSULTANTS

We noted a number of instances where competitive bids were not obtained when hiring consultants.

1. The Corporation retained a consulting firm to prepare job descriptions and to recommend salary ranges for the Corporation's employees. Total payments to this firm amounted to $30,795. With respect to this assignment, we noted that:

   (a) **virtually all of the services from this firm were provided by the Vice-President at a fee of $1,300 per day;**

   (b) **no competitive bids were obtained from other suppliers. We understood that this consulting firm was recommended by a member of the Corporation's Board of Directors.**

2. Another firm of consultants was engaged to establish the rationale for facilities system selection and to provide assistance in the evaluation or development of the Corporation's corporate plan.

   With respect to this assignment, we noted that:

   (a) initially these tasks were to be performed for approximately $22,000. However, this had evolved into a longer term arrangement with expenses for the 1983 fiscal year totalling $111,000.

   (b) the firm was hired without obtaining competitive bids from other suppliers. We understood that this firm was recommended by one of the Corporation's employees.

3. During the year the Corporation moved its offices to larger premises. An interior design consultant was paid approximately $27,000 to prepare designs for the new office space and to review and approve the cost of the improvement.

   The services of an architect were offered by the landlord, at no cost to the Corporation but the Corporation believed that the outside consultant would provide a better quality product. The selection of the consultant was not based on competitive selection procedures. We were informed that the consultant had been recommended by an employee of the Corporation.

4. We noted that the Corporation retained a consultant to set up in-house recruiting procedures and to conduct interviews for the position of Corporation Planner. The Corporation paid a fee of $12,600 to this consultant for this work.

   We were unable to find any evidence that this job was subject to competitive selection procedures and were informed that this consultant was also recommended by a member of the Corporation's staff.

5. The Corporation paid a production company $10,100 to produce audio and video tapes of the Corporation's press conferences. **We noted that competitive selection procedures were not followed when acquiring this service.**

   We understood that this company would continue to be used for future productions.

We recommended that controls be strengthened to monitor the propriety of such transactions and to ensure that the Corporation acquires such services in the most economical manner. We further recommended that a formal written policy be adopted requiring competitive bids for hiring consultants. In our opinion, the requirements in the Ontario Manual of Administration were reasonable and could be used as a guideline in developing an appropriate policy.

EDITING AND TRANSCRIPTION SERVICES

We noted that the Communications Department was using an outside consultant to provide editing services at a rate of $35 per hour. Payments to this consultant totalled $22,295 during the current year. **We could find no evidence of competitive bids being received from other possible suppliers and were advised that this consultant had been recommended by an employee of the Corporation.**

In addition, the Corporation was using external services at a cost of $20 per hour to transcribe tape recordings of meetings. Payments for this service amounted to $13,379 during the 1983 fiscal year. Subsequently, the Corporation commenced using a stenographer to provide this service at a cost of $125 per day for jobs in Toronto and $135 per day for jobs outside of Toronto. An additional $20 per ½ hour is paid for time worked after 5:00 p.m. Payments for this service totalled $12,193 during the 1983 fiscal year.

We were advised that the Communications Department, which consisted of four officers (excluding the Director) and three secretaries, did not have the time to perform these services internally.

To ensure that the Corporation is receiving the best service for the least cost, we recommended that the Corporation consider hiring someone on contract or hiring GO Temp to provide these services if they could not be handled internally.

OTHER MATTERS

Remuneration of Chairman

In our prior year's report, we noted that per diem payments made directly to the Chairman and salary reimbursement payments made to the University of Toronto on the Chairman's behalf totalled approximately $100,000. We suggested that the Corporation review these arrangements to ensure that they were appropriate in the circumstances.

The Corporation subsequently advised us that "at a number of meetings of the Board of Directors . . . resolutions were approved unanimously confirming and continuing the remuneration arrangements for the President (Chairman) . . ."

During the current fiscal year up to February 28, 1983 the Chairman continued to receive a per diem allowance of $225 for attendance at Board of Director meetings and one-eighth of this per diem for each hour otherwise engaged upon the business of the Corporation.

As of February 28, 1983, the Corporation had incurred per diem expenses of $62,650 or an average of 25 days per month of per diem charges. The Corporation also made salary reimbursement payments to the

University of Toronto on the Chairman's behalf of $50,300 to December 31, 1982. We understood this arrangement was discontinued as of this date.

Effective March 1, 1983, the Board of Directors approved a salary for the Chairman of $105,000 per annum exclusive of pension and related benefits, and a $200 per month car allowance.

Non-Recovery of Salary Overpayments

During our review of salaries we noted that the Corporation had made an error in the calculation of the retroactive salary awards. This error which the Corporation was initially unaware of, resulted in an overpayment to three employees totalling $1,224 and was not subsequently recovered from the employees. **We questioned the Corporation's decision not to recover these overpayments.**

Boardroom Chairs

The Corporation purchased twenty-two chairs at an average cost of $761 per chair. **We noted that top of line executive chairs could be purchased through the Ministry of Government Services for $279 to $513 per chair.**

While we understood that the Corporation felt the price was justified based on the comfort and durability of the chairs, we questioned whether due regard for economy was exercised with respect to this purchase.

On September 15, 1983 the Corporation's Chairman and President replied as follows:

Hiring of Consultants

> *"The Corporation agrees with the provisions outlined in the Ontario Manual of Administration and is now using these as guidelines in developing appropriate long term policies and procedures. In the meantime the corporation has implemented interim procedures.*
>
> *"Regarding the use of a consulting firm to prepare position descriptions and to recommend salary ranges for OWMC staff, OWMC retained the services of one of the firm's vice-presidents because this individual was regarded as the most appropriate to carry out the tasks assigned by OWMC in the early developmental stages of personnel recruitment and staff evaluation. The Corporation is satisfied that a high calibre of advice and service was received through this firm. The Corporation accepted the recommendation of one of its Directors, who is a senior personnel specialist in industry, to adopt the Hay System of job evaluation and position description. The selection of the consulting firm logically followed this basic decision.*

"Regarding the firm of consultants retained to assist in the development and evaluation of the OWMC Corporate Plan, it was felt that the small OWMC management team could benefit from consulting on an urgent basis with the firm's principal, who has an unusual blend of qualifications and experience. In addition to experience in organizational planning and strategic planning, it was believed that familiarity with the Site Selection Process which was being developed by the Corporation would be an additional advantage. It was this additional strength that led to the firm being retained beyond the original task of assisting with the corporate development, and excellent value was received from this extension of the original task at a critical time in the OWMC facilities development program. This work was completed satisfactorily and the consultant is not presently engaged by OWMC.

"With respect to the use of an interior design consultant other than the architect offered by the landlord, the use of this consultant to check that construction costs quoted by the landlord were reasonable was essential to the quick completion of the job. This consultant also offered a better floor design. The recommendation by a member of the Corporation's staff was based on his experience with similar work performed by this consultant prior to the staff member joining OWMC.

"It is agreed that the selection of a consultant to recruit the Corporate Planner and to establish recruitment procedures was not subject to a formal competitive selection process. The consultant was screened by the Corporation's General Manager and Personnel Assistant in order to confirm that this individual could provide the high quality services required by the Corporation on an urgent basis.

"The audio production company referred to in the Audit Report was recommended to us by our Communications and Media Relations consultant, who has had over thirty years experience in producing audio and video tapes. He recommended this firm because of its demonstrated technical ability and competitive pricing. No decision has been made to continue to use this firm for future productions, particularly corporate film production. The selection of firms for future work will conform to the corporate policies referred to above and to the Ontario Manual of Administration."

Editing and Transcription Services

> *"The editing services provided to OWMC's Communications Department were required at a time (August 1982) when no such editing capabilities existed within the Corporation. The selection of this individual was done following inspection of the current file on resumes obtained from the Coordinator, Communications Policy, Cabinet Office, Government of Ontario. In addition, only a portion of the total fees paid to this consultant were for editing services. Following his editing of the Phase I Report, he began working with the Corporate Planning staff on Phase II planning issues, and assisted in the planning and drafting of the Phase II Report.*
>
> *"Following the release of the Phase I report, in September, 1982, it was decided to record the discussions at all public meetings, after seeking the advice of the Corporation's legal counsel. This involved forty-five separate meetings held on six different days. Each meeting lasted approximately one hour and a half. With only three secretaries in the Communications Department, it was not possible to transcribe these tapes internally. In addition, this work occurred over a very concentrated period of time, and was not spread out evenly over the calendar year or a major portion thereof. This precluded the recruitment of a contract employee for this purpose.*
>
> *"Following the release of the Phase II report in January, 1983, it was decided to retain the services of a court stenographer. The reasons stemmed from the poor quality of the tape recordings of the earlier Phase I meetings, the long delay in obtaining transcripts of these meetings, and our counsel's advice that accurate transcripts were needed in the event that they were required at the public hearing. In addition we realized that this would again be a concentrated period of work, and would not be spread out evenly over the remaining months of the year. For all these reasons, we retained the services of a professional court stenographer, following a detailed survey of companies and individuals trained to take verbatim transcripts by hand."*

Remuneration of Chairman

> *"Early in 1983 a leading consulting firm in the field of executive compensation conducted a detailed review of the position of President. The Salary and Benefits Committee of*

the Board, and subsequently the full Board, unanimously approved the salary level of $105,000 without benefits, effective March 1, 1983, a figure substantially below that recommended by the consultant. However, this was a tentative, interim act and the salary of the President is still under review. A final resolution of this matter is expected by November 1983."

We were subsequently advised by the Chairman and the President that:

". . . on September 30 it was agreed that the base salary will be $80,000 per year, effective last March 1. In addition, there will be a payment in lieu of benefits of $8,000 and an executive car provision of $4,800. This, I believe, is consistent with the compensation arrangements for the senior deputy minister level."

Non-Recovery of Salary Overpayments

"Arrangements have been made to recover the salary overpayments to which reference is made."

Boardroom Chairs

"The chairs purchased for the OWMC Board Room were selected from several designs that were submitted. The price of the chairs reflected their degree of durability and the purchase was made after consideration of their suitability and regard for economy over the long term."

4.11 Potential for Increased Economy and Efficiency re Operation of M.S. Chi-Cheemaun, The Owen Sound Transportation Company, Limited

The Owen Sound Transportation Company, Limited was incorporated as a private company on March 10, 1921. Its outstanding capital stock was purchased by the Ontario Northland Transportation Commission in October 1973. Since that time, the Company has operated as a wholly-owned subsidiary of the Commission, providing a ferry service (the M.S. Chi-Cheemaun) for passengers and vehicles between South Baymouth on Manitoulin Island and Tobermory.

As at December 31, 1982, the Company's assets totalled $7.62 million. Revenue for the year was $3.71 million and expenses were $3.66 million, resulting in a net income of $54 thousand.

A portion of our December 31, 1982 audit pertained to an assessment of the operations of the M.S. Chi-Cheemaun from the standpoint of economy and efficiency. **In this regard, we concluded that improvements in economy and efficiency were required. In our opinion:**

- **The sailing season was too long.**
- **The winter lay up was too costly.**
- **The size of the crew was in excess of needs.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The M.S. Chi-Cheemaun operates from Tobermory on the Bruce Peninsula to South Baymouth on Manitoulin Island covering a distance of 45 kilometers over a period of 1 hour and 45 minutes. The total capacity of the vessel is about 140 cars and 600 passengers and features a 230 seat cafeteria, a lounge and tuck shop.

The sailing season runs approximately from the last week of April to the middle of October each year and is divided into 2 operating cycles as follows:

(i) The spring and fall cycle, when two round trips are made daily, is from the opening of the season to the middle of June and from the first week of September to the end of the season respectively.

(ii) The summer cycle, when 4 round trips are made daily, is from the middle of June to the first week of September.

In 1982 the vehicle and passenger fares accounted for approximately 82 per cent of the Company's total revenue and the balance was accounted for by the cafeteria, lounge and tuck shop sales. Approximately 86 per cent of the revenues were earned during the months of June, July, August and September.

Salaries and fuel accounted for approximately 70 per cent of the total operating costs of the vessel excluding depreciation. Most staff members of the Company are employed only for the duration of the sailing season. Therefore, the costs in general vary directly with the length of the sailing season. Additional staff are hired during the busy summer cycle.

Sailing Season

In 1982 the sailing season opened on April 23. During the first 8 days of operation the ferry carried an average of 37 persons per crossing. **This represented very low usage of a ferry which can accommodate 600 persons.** From information obtained from the Company we estimated the marginal operating expenses to be $56,000, revenues to be $26,000 (passengers

$9,000, vehicles $12,000, cafeteria $5,000) and the operating loss to be $30,000 for the period. **This amount would have been saved had the ferry not sailed during this 8 day period.**

In our opinion there was scope for further cutback. We were advised by Company officials that the volume of traffic in early May is also very small, thereby making it impossible to break even. They also stated that $70,000 could be saved by reducing the season by two weeks. Only 7.4 per cent of the 1982 revenue was earned in the month of May. The matter of the effect on the local economy could perhaps be decided in consultation with local motel owners and tour operators. One local motel owner and tour operator stated that the volume of traffic is not enough until late May to have any impact on his operations.

We understood that in 1983 the company delayed the opening of the season until April 29 and also reduced the duration of the summer cycle by one week.

Winter Lay Up

The vessel was designed to operate year round with no lay up period. However, the M.S. Chi-Cheemaun is regularly laid up between mid October and the following April.

As designed, the piping system of the ferry cannot readily be drained and therefore cannot be laid up without heat during freezing temperatures. To do so would cause damage to the piping system and also significant damage to valuable electrical equipment through leaks in the piping system.

In order to prevent the system from freezing, heat is maintained throughout the vessel during the winter months by running one or both of its diesel fired water boilers, as required. **During the winter of 1981-82 such heating costs totalled approximately $65,000 in fuel alone. Future costs were expected to increase as fuel prices rise.** Our discussion with other ship operators and the ship builder at Collingwood indicated several alternatives as follows:

(i) Survey the entire ship and install drain plugs at all strategic locations to permit annual draining at minimal cost. The capital cost of survey and installation of drain plugs was estimated to total $200,000 to $250,000.

(ii) "Blow out" the contents of the pipes with forced air, preferably from the "top down". This method would not require a survey but the annual cost would be in the range of $10,000 to $15,000. The problem with this method is that, if any part of the piping system (low points) is bypassed, the damage could be extensive. However, the risk could be minimized by injecting alcohol or anti-freeze into the piping system after the blow out, which would settle at the low points

and prevent freezing. The additional cost of alcohol would be about $1,000.

(iii) Use a combination of (i) and (ii) above. Survey and install drain plugs in some areas of the ship where there is equipment of significant value and blow out others to avoid significant capital costs.

(iv) Install thermostatic controls to regulate heat in different areas of the ship at different required levels to minimize wastage. However, it was difficult to quanitify the exact savings, although it was estimated to be approximately 33 per cent or $22,000. The cost of installing the thermostats would be between $10,000 and $15,000.

We felt that there was a potential for significant cost savings over the remaining life of the vessel which was estimated at 20 years. Even the first and most expensive alternative of surveying the boat and installing the drains at $250,000 would pay for itself within 4 to 5 years. However, we acknowledged that, to avoid damage to sensitive electronic equipment, some parts of the boat would have to be heated during the winter, such as the Engine Room and the Bridge. Space heaters or other less costly methods could be employed for this purpose.

We recommend that the Company undertake a detailed study with the intention of reducing heating costs during the winter lay up months.

Size of Crew

The Canadian Coast Guard administers the Canada Shipping Act and the regulations and certifies ships for sailing. In accordance with these authorities a minimum number of crew members has been determined to operate the ferry. The crew which operates the ferry is composed partly of management, non-union staff and union members.

The following is a comparison of the actual numbers of crew members carried on the ferry in 1982 with the numbers designated by union contracts and with minimum numbers required under the preceding Act.

	Spring/Fall	Summer
Minimum per Canada Shipping Act	43	43
Complement		
— union members per agreements	39	60
— non-union members	11	11
	50	71
Actual	55	71

Five crew members in excess of the number agreed upon with the union were carried during the spring/fall cycle. These were four service aids and one oiler. **Management stated that these additional crew members were required.**

The Company had no formal procedures in place to measure productivity of the crew members. Therefore, it was difficult for us to form a definite opinion as to the appropriateness of employng the additional staff.

We recommended that management review the manning scale and establish the optimum number of crew members of various categories required to run the ferry operation economically and efficiently. Management advised us that the Company had made unsuccessful attempts to reduce the manning scale in its negotiations with the unions. We further recommended that these efforts continue.

On September 20, 1983, the Chairman of the Ontario Northland Transportation Commission replied as follows:

Sailing Season

"The operating season is reviewed annually in order to keep proper balance between service and financial losses.

"The length of season was reduced in 1978 from 185 days to 178 days and in 1983 from 178 days to 171 days. Both these reductions are from end of season sailings.

"In 1982 the season of 178 days was maintained as had been done in previous years and as a result permitted the start of the season to be earlier in April than normally because of the holding of the Sunday after Thanksgiving as the season end.

"As a result of this early start the revenue during the first 8 days was lower than usual.

"The loss incurred of approximately $30,000 (approximately $25 per person) has to be equated with the social need for the service at this time of the year.

"During the annual review in the Fall of 1983 when the 1984 sailing season will be discussed with the Ministry of Northern Affairs, the auditor's comments will be reviewed and given appropriate consideration."

Winter Lay Up

"The statement that the lay-up costs are too costly is very subjective. The main consideration is the protection and care of an asset worth many millions of dollars which is a vital element in the travel of thousands of people from Southwestern Ontario to Manitoulin Island between May and October of each year.

"Winter heating costs of $65,000 may seem like a large sum, however, it may not be that large if the piping system were to freeze or the paint and furnishings damaged due to extremes in temperature being experienced.

"To our knowledge the ship was not designed to operate in waters where ice conditions may be experienced so it is necessary to lay the boat up during winter months in Georgian Bay.

"The suggestions of the auditor re alternate winterizing procedures have been noted and their practicability will be determined."

Size of Crew

"The Canada Shipping Act directs the minimum crew requirements and we cannot operate the ship below that minimum. During union contract negotiations we review with the union the crew requirements and negotiate what is considered to be the optimum crew size for coming season(s).

"After these two criteria have been established the in-season management of numbers of personnel is very small and is limited to supervisory personnel which is normally 11 people and union personnel over the contract minimum which may be as many as 5 in the spring and the fall.

"Management will continue to keep the work force, not only on board the ship but those on docks and in terminals, to a minimum taking into account all aspects of the operation including quality of service and safety as well as fiscal aspects."

4.12 Newly Established Crown Agencies

Eight Crown Agencies were established during the 1983 fiscal year. Of these, the Egg Fund Board and The Live Stock Financial Protection Board are agencies of the Crown and are audited by our Office, whereas the Ontario Trillium Foundation together with five technology centres are Crown controlled corporations and are audited by public accounting firms.

Egg Fund Board

This Board (a corporation without share capital) was established effective December 10, 1981 by a regulation made under the Farm Products Payments Act. The Board was constituted to administer the newly-

established Fund for Egg Producers, a fund to protect egg producers against any loss through default in payment by egg grading station dealers.

The Live Stock Financial Protection Board

This Board, also a corporation without share capital, was established effective September 1, 1982 by a regulation made under the Farm Products Payments Act. The Board was constituted to administer The Fund for Live Stock Producers, which was established under the same regulation. The fund was formed to protect the sellers of live stock against any loss through default in payment by licensed dealers.

Ontario Trillium Foundation

The Foundation was established as a corporation without share capital on November 17, 1982 under the Corporations Act. The Foundation was formed for the purpose of funding private, non-governmental social service agencies which provide services directly to the public throughout Ontario.

Technology Centres

Five technology centres were established as corporations without share capital by regulations made under the Technology Centres Act, 1982. The object of each Centre is to promote and enhance the application of technology in order to improve the productivity and competitiveness of Ontario industry and commerce. The five Centres, together with the industrial sector in which the preceding objects will be pursued, are as follows:

- Ontario Centre for Microelectronics (microelectronics sector)
- Ontario Centre for Advanced Manufacturing (robotics and computer assisted design and manufacturing sectors)
- Ontario Centre for Resource Machinery (resource machinery sector)
- Ontario Centre for Automotive Parts Technology (automotive sector)
- Ontario Centre for Farm Machinery and Food Processing Technology (farm machinery and food processing sectors)

5

PUBLIC ACCOUNTS OF THE PROVINCE

5.1 Preparation of the Public Accounts

The Public Accounts, which are published in three volumes, are prepared by the Ministry of Treasury and Economics under the direction of the Treasurer of Ontario as stipulated in section 13 of the Ministry of Treasury and Economics Act. This section reads as follows:

> "The Public Accounts for each fiscal year shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

The audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, on which the Provincial Auditor expresses an opinion, together with a review of the other statements and schedules contained in Volume 1.

Volume 2 contains reproductions of audited financial statements of agencies of the Crown and Crown controlled corporations:

(a) in which the Province has an investment, or

(b) which have borrowed from the Province, or

(c) which have borrowed from others with a guarantee by the Province.

Also included in Volume 2 are the audited financial statements of certain significant operational agencies which are funded in whole or in part by revenues generated from their operations.

Volume 3 contains details of expenditures for each ministry, such as salaries and wages, employee benefits, travelling expenses and other payments. This expenditure is shown under two main categories, Voted Appropriations and Statutory Appropriations. Although the information contained in Volume 3 is not audited in detail by this Office, it is subject to testing to verify the accuracy thereof.

5.2 Financial Statements of the Province

The audited financial statements of the Province for the year ended

March 31, 1983, upon which the Provincial Auditor has expressed an unqualified opinion, are reproduced as Exhibit 2 of this Report. The financial statements and notes disclose in summary form the financial activities of the Province for the fiscal year, and report on the significant aspects of financial position at the close of the fiscal year.

The transactions of the Province are presented through the Statement of Consolidated Revenue Fund in summary form according to the four distinct areas of government activity:

- "Budgetary Transactions" are the operational activities involving the raising of revenue from various sources on the one hand, and the expenditure for various government programs on the other.
- "Non-Budgetary Transactions" are the lending, investment and trust administration activities.
- "Debt Transactions" are the borrowing and repayment transactions.
- "Ontario Hydro Transactions" relate to amounts borrowed by the Province on behalf of Ontario Hydro.

Regarding Ontario Hydro Transactions, the Province issues debentures and advances the proceeds to Ontario Hydro in exchange for bonds with the same terms and conditions. In any year, the overall end result of these reciprocal transactions is that payments are equal to recoveries. Since these transactions (including the ensuing retirement and debt servicing costs) are the result of a financing alternative and are not part of the Province's own budget plan, they are classified separately.

The Statement of Assets and Liabilities reflects the financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by others on the Consolidated Revenue Fund. As expenditures on fixed assets do not represent financial claims on other parties, they are treated as non-recoverable expenditures in the year of acquisition.

5.3 Summary of Significant Accounting Policies

On the basis of evidence examined, the Provincial Auditor arrives at an opinion as to the fairness of the Province's financial statements in accordance with established accounting policies, and as to their consistency. In most activities other than those of governments, these established accounting policies are known as "generally accepted accounting principles". Since such principles have not yet been established for governments, it is usual to report on the degree of compliance with stated accounting policies.

Accordingly, an integral part of the Province's financial statements is the Summary of Significant Accounting Policies. This Summary appears on page 1-2 of Volume 1 of the 1982-83 Public Accounts, which forms part of Exhibit 2 of this Report.

Such Summary is included as an integral part of the financial statements in order to provide the reader with a clear understanding of the principles and methods used to present the financial information contained in the statements. Due to the nature of government accounting, the accounting policies stated in the Summary have particular importance to a reader who may not be familiar with the differences, some of which are significant, between the accounting policies followed by the private sector and those followed by the Province of Ontario.

5.4 Advances and Loans Repayable From Annual Expenditure Appropriations

Page 2-28 of Volume 1 of the 1982-83 Public Accounts summarizes the balances of advances or investments by the Province in corporations, boards and commissions other than Ontario Hydro. Additionally, page 2-31 summarizes the balances of other loans and investments by the Province, including loans to public hospitals.

The balances recorded in the Public Accounts do not necessarily represent the amounts the Province expects to truly realize. As stated in the Summary of Significant Accounting Policies, the funds required to repay certain of the advances and loans are being provided out of future years' Provincial expenditure appropriations. Examples of loans and advances in this category are as follows:

- Virtually all of the advances of $1,081,736,370 to The Ontario Universities Capital Aid Corporation are repayable out of future years' Provincial expenditure appropriations. Under a program discontinued in 1978, the Corporation used funds advanced by the Province to purchase debentures issued by colleges, universities and related institutions for capital construction purposes. The debenture debt of the issuing institutions is repaid, with interest, over the term thereof by utilizing moneys appropriated annually by the Legislature. The Corporation, in turn, utilizes the proceeds to repay, with interest, its advances from the Province.

- The situation with respect to the repayment of advances of $1,026,387,000 made by the Province to The Ontario Education Capital Aid Corporation is analogous to that outlined in the preceding example. Under a program discontinued in 1980, an average of 75% of the advances by the Province to this

Corporation are repayable out of future years' expenditure appropriations.

—Loans of $163,794,816 to public hospitals as at March 31, 1983 are partially repayable out of future years' Provincial expenditure appropriations. Under a program discontinued in 1978 (and replaced by capital grants), public hospitals used loans advanced by the Province for capital construction purposes. Using, in part, moneys appropriated annually by the Legislature, the hospitals repay their loans, with interest, over the term thereof. For the 1983 fiscal year, $13,588,734 was so subsidized by way of grants from the Province to the hospitals.

—Advances to the three Development Corporations (Ontario, Northern and Eastern) include amounts regarding term loans made by the Corporations. Each year, the Corporations write off certain term loans that are deemed to be uncollectible. When such loans are written off, moneys appropriated by the Legislature for that purpose are used by the Corporations to repay their corresponding advances from the Province. For the year ended March 31, 1983, $7,268,368 was so utilized.

5.5 Loans Receivable Not Included in Statement of Assets and Liabilities

As covered in the Summary of Significant Accounting Policies, the assets recorded in the financial statements are those resulting from financial claims on other parties which have been created by cash transactions. Accordingly, loans, advances and investments made by the Province are normally included as assets on the Statement of Assets and Liabilities.

Certain loans, however, do not appear on the Statement of Assets and Liabilities. The Ministry of Treasury and Economics has determined that, where loans generally have one or more of the following characteristics, they are to be classified as expenditure:

- either no specific security or security of limited value;
- no specific repayment terms;
- where repayment is conditional only on future uncertain events.

These loans are considered to be in the nature of "recoverable grants", and, as stated, are treated as expenditure when made. When repayments are received, they are treated as revenue.

The major examples of loans included in this category, totalling approximately $175 million, relate to programs administered by the

Ministry of Municipal Affairs and Housing, and are summarized as follows:

- Ontario Renter-Buy Program — These loans, for which applications had to be made prior to November 15, 1982, are for the purpose of assisting qualified Ontario residents in the purchase of new homes. The loans are interest free, for fifteen year terms, and are secured by mortgages subsequent in priority to all other mortgages registered against the housing units. Repayments commence in the eleventh year. Loans outstanding under this program amounted to $61.9 million as at March 31, 1983.

- Ontario Rental Construction Loan Program — These loans are for the purpose of encouraging the construction of rental housing units in selected Ontario communities where vacancy rates are low. They are interest free, for twenty-five year terms, and secured by second mortgages. Repayments commence in the sixteenth year. The balance of such loans outstanding at March 31, 1983 was $61.3 million.

- Downtown Revitalization Program — Loans under this program are provided to assist municipalities with populations under 125,000 in the revitalization of their core areas. Repayments of these loans are to be 110% of the amounts advanced. However, repayments are contingent upon additional municipal revenue being raised as a result of the revitalization projects, in the form of taxes and/or rents. Loans outstanding under this program amounted to $44.6 million at March 31, 1983.

- Mainstreet Revitalization Program — The object of this program is to encourage and support downtown improvement projects by small municipalities. Repayments are over a ten year term and are to be 110% of the amounts advanced. The balance of loans to municipalities under this program was $6.5 million as at March 31, 1983.

5.6 Payment Pursuant to Massey-Ferguson Limited Act, 1981

In June 1981, the Massey-Ferguson Limited Act, 1981 was passed. Section 2 of the Act provided:

—the Province with authority to acquire shares of this Company upon the approval of the Lieutenant Governor in Council; and

—the payment relating to the purchase of these shares was not to exceed $78,000,000.

Upon the authority of Order in Council 1802/81 dated June 26, 1981, the Province entered into a guarantee agreement that obligated the

Province, in the event that certain events of default occur, to purchase from the holders thereof up to 3 million of the $25 stated value cumulative redeemable retractable preferred shares, Series "D", issued by Massey-Ferguson Limited. The Province's liability under this agreement was limited to $78,000,000. Accordingly, this potential liability was recognized and this amount was recorded as part of the Province's contingent liabilities as at March 31, 1982.

On May 28, 1982, Massey-Ferguson Limited suspended payment of dividends on its Series "D" preferred shares, thereby causing a default under the Series "D" share provisions. The Province, on July 13, 1982, purchased 3 million of the Series "D" preferred shares for $75,809,615 which included $809,615 for accrued dividends.

The purchase of the Massey-Ferguson Series "D" preferred shares is an investment in the Company and the transaction would normally be classified as a disbursement. However, because of the precarious financial position of this Company and the resulting highly doubtful value of the investment, the purchase was written off as an expenditure rather than being set up as an asset. We are in agreement with this treatment.

Therefore, the payment for this purchase was charged to the Ministry of Industry and Trade, Vote 2202-4, Industry Division Program, Investment Opportunities Activity as a statutory transfer payment, (i.e. expenditure).

5.7 Payments Out of the Consolidated Revenue Fund

Payments out of the Consolidated Revenue Fund are classified as Expenditure (Budgetary Transactions), Disbursements and Charges (Non-Budgetary Transactions) and Retirements of Loans (Debt Transactions).

Budgetary Expenditure includes payments for goods and services, salaries, interest on public debt, subsidies and grants, and acquisition or construction of fixed assets. Disbursements are payments made in respect of investments, loans and advances, while Charges are payments made from pension funds, deposit, trust and reserve accounts. Retirements of Loans are payments in respect of the debt obligations of the Province.

Payments out of the Consolidated Revenue Fund are of two major types: those pursuant to Estimates, including Supplementary Estimates, approved by the Legislative Assembly, and those pursuant to the provisions of various statutes. The former are termed payments from Voted Appropriations while the latter are termed payments from Statutory Appropriations. Voted Appropriations, which are formalized annually by legislation cited as the Supply Act, may be augmented by Management

Board Orders. The nature of Management Board Orders is more fully explained in section 5.11.

A third type of payment out of the Consolidated Revenue Fund is that pursuant to delegated authority in the form of Special Warrants. The nature of this authority is more fully explained in section 5.12.

A summary of the payments out of the Consolidated Revenue Fund by type and classification is as follows:

Payments re:	1983 $	1982 $
Voted Appropriations per Legislative Assembly		
Budgetary Expenditure	19,520,175,315	17,083,349,400
Disbursements	115,613,508	147,628,569
	19,635,788,823	17,230,977,969*
per Management Board Orders		
Budgetary Expenditure	448,535,346	467,748,040
Disbursements	—	2,696,940
	448,535,346	470,444,980
Total Voted Appropriations	20,084,324,169	17,701,422,949
Statutory Appropriations		
Budgetary Expenditure	2,540,486,307	2,099,528,140
Disbursements	65,786,167	392,864,459
Charges	221,367,955	194,442,544
Retirements of Loans	129,729,587	75,400,570
Total Statutory Appropriations	2,957,370,016	2,762,235,713
Special Warrant		
Budgetary Expenditure	—	160,875
Disbursements	—	—
Total Special Warrants	—	160,875
Total Payments	23,041,694,185	20,463,819,537

* As explained in section 4.12 of our 1982 Report, there were three special warrants issued in the 1982 fiscal year. Normally, all payments made under the authority of special warrants are classified separately above; however, due to the circumstances surrounding the first two special warrants and to maintain comparability of the Voted Appropriations figures between fiscal years, payments of $4,719,081,600 authorized by the first two special warrants have been included in payments from Voted Appropriations.

Reference has been made in section 5.2 to Ontario Hydro transactions. Since these transactions are not part of the Province's own budget plan, and since these transactions flow through the Consolidated Revenue Fund without increasing or decreasing the overall balance in the Fund, they have not been included in the preceding summary.

5.8 Voted Appropriations — Comparison of Authorized and Actual Payments

This comparison for the fiscal year ended March 31, 1983 is as follows:

	Authorized $	Actual $	Actual Under (Over) Authorized $
Voted Appropriations			
per Legislative Assembly			
Budgetary Expenditure . .	20,040,583,334	19,520,175,315	520,408,019
Disbursements	207,426,200	115,613,508	91,812,692
	20,248,009,534	19,635,788,823	612,220,711
per Management Board Orders			
Budgetary Expenditure . .	481,314,900	448,535,346	32,779,554
Disbursements	—	—	—
	481,314,900	448,535,346	32,779,554
	20,729,324,434	20,084,324,169	645,000,265

It will be noted that the amount of $20,248,009,534 appropriated by the Legislative Assembly in itself exceeded the total actual payments of $20,084,324,169.

5.9 Statutory Appropriations

During the 1983 fiscal year, Statutory Appropriation payments made under the authority of 26 Acts exceeded $2.957 billion. This expenditure constituted 12.8 per cent of the total payments out of the Consolidated Revenue Fund. The comparative percentage for the 1982 fiscal year was 13.5.

A summary, by authorizing legislation, of such payments exceeding $50 million for the year ended March 31, 1983 (with comparative figures for 1982) is as follows:

	1983	1982
	$	$
Financial Administration Act	2,301,732,026	1,960,253,569
Teachers' Superannuation Act	166,746,272	152,404,149
Superannuation Adjustment Benefits Act	127,623,585	106,839,125
Public Service Superannuation Act	108,824,958	100,572,584
Massey-Ferguson Limited Act, 1981	75,809,615	—
Housing Development Act	61,988,014	—
Ontario Energy Corporation Act	—	325,000,000
	2,842,724,470	2,645,069,427

Public Debt interest expenditure of $2.110 billion and $1.832 billion for fiscal years 1983 and 1982 respectively is included in the amount shown under the Financial Administration Act.

The statutory payment of $75,809,615 under section 2 of the Massey-Ferguson Limited Act, 1981 represents the purchase of 3 million $25 stated value cumulative redeemable retractable preferred shares, Series "D", issued by Massey-Ferguson Limited. Section 5.6 contains further details of this transaction.

Statutory payments of $61,988,014 made under section 14(3) of the Housing Development Act represent non-interest bearing loans to qualified Ontario residents toward the purchase of new homes under the Ontario Renter-Buy Program, which is administered by the Ministry of Municipal Affairs and Housing.

A payment of $325,000,000 in the 1982 fiscal year was made under section 18 of the Ontario Energy Corporation Act. It represented a non-interest bearing demand loan to finance the purchase of one-half of approximately 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of Ontario Energy Corporation.

Excluded from the preceding figures are statutory appropriations relating to Ontario Hydro Transactions which can be summarized as follows:

	1983	1982
	$	$
Financial Administration Act		
Ontario securities issued on behalf of Ontario Hydro:		
— interest paid	617,612,943	421,495,903
— securities retired	219,545,000	110,832,000
Power Corporation Act		
Advances to Ontario Hydro	600,000,000	1,450,000,000
	1,437,157,943	1,982,327,903

For reference purposes, 1983 statutory payments activity is summarized in Exhibit 4 of this Report.

5.10 Statement of Budgetary Expenditure

The Statement of Budgetary Expenditure is contained in Volume 1 of the 1982-83 Public Accounts and is reproduced in Exhibit 2 of this Report. A more detailed analysis of total budgetary expenditure can be obtained by the use of the standard accounts classifications. Under these classificatons the budgetary expenditure for the 1983 and 1982 fiscal years as shown on pages 2-15 and 2-15, respectively, of Volume 1 of the Public Accounts may be summarized as follows:

	1983 $	%	1982 $	%
Transfer Payments	16,418,408,131	72.9	14,263,110,960	72.6
Salaries and Wages	2,062,168,786	9.2	1,832,662,258	9.3
Other Transactions				
—Public debt expenditure (interest on debentures, etc.)	2,117,278,563	9.4	1,832,469,236	9.3
—Other	82,637,065	.4	92,459,355	.5
Services	987,538,084	4.4	733,652,442	3.7
Acquisition/Construction of Physical Assets	638,401,450	2.8	461,797,623	2.4
Supplies and Equipment	433,083,534	1.9	384,652,195	2.0
Employee Benefits	312,994,964	1.4	280,242,566	1.4
Transportation and Communication	203,882,139	.9	166,885,033	.8
	23,256,392,716		20,047,931,668	
Less: Recoveries from other Activities, Ministries, etc.	747,195,748	3.3	397,145,213	2.0
Total Budgetary Expenditure	22,509,196,968	100.0	19,650,786,455	100.0

Transfer payments represent expenditure made to individuals, organizations and other levels of government, for which the Province does not directly receive goods or services. Such expenditure is made in accordance with legislation or established ministry policy.

Recoveries from other Activities and Ministries relate mainly to costs incurred by certain ministries, on behalf of other ministries, which are subsequently recovered from the benefiting ministries. For Public Accounts presentation purposes, these recoveries are generally not netted against the particular expenditure category or sub-category (e.g. salaries and wages, services, etc.) but are deducted in total from aggregate expenditure.

The other standard accounts classifications are largely self-explanatory; however, a more detailed description of the type of expenditure included in each classification is contained on pages viii-ix of Volume 1 of the 1982-83 Public Accounts.

In the 1983 fiscal year over $13.0 billion or more than 79 per cent of the total transfer payments, was expended by four ministries. The comparable figures for the 1982 fiscal year were $11.4 billion and 80 per cent respectively. A summary of the payments by the four ministries, including identification of major categories, is as follows:

Category	1983 $	1982 $
Ministry of Health		
Operation of hospitals and related facilities	3,428,059,230	2,949,530,581
Payments re physicians' and practitioners' services under OHIP	1,846,532,110	1,543,010,863
Extended Care Health Insurance Benefits	223,296,066	192,916,206
Ontario Drug Benefit Plan	211,549,608	167,274,064
Other transfer payments	613,399,468	568,429,875
	6,322,836,482	5,421,161,589
Ministry of Education		
Grants for elementary and secondary education (to school boards)	2,734,477,283	2,565,144,730
Payment to Teachers' Superannuation Commission	313,778,183	369,738,264
Other transfer payments	16,077,397	14,822,874
	3,064,332,863	2,949,705,868
Ministry of Colleges and Universities		
Grants for universities and related organizations	1,157,311,000	1,031,255,622
Grants for colleges of applied arts and technology, etc.	458,375,445	516,748,902
Other transfer payments	296,895,381	117,815,293
	1,912,581,826	1,665,819,817

Ministry of Community and Social Services		
Provincial and municipal allowances and benefits..	957,851,085	782,660,942
Adults' Social Services	259,192,239	212,839,291
Children's Social Services..	324,195,847	279,825,423
Developmental Services — Adults and Children	150,644,429	115,749,625
Other transfer payments...	49,288,449	39,044,457
	1,741,172,049	1,430,119,738
Total	13,040,923,220	11,466,807,012

5.11 Management Board Orders

Section 5 of the Management Board of Cabinet Act provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amounts as it considers proper.

A summary of the Management Board Orders issued for the past five fiscal years is as follows:

	Number of Board Orders	Number of Items	Authorized Amount $
1983	90	348	481,314,900
1982	108	394	508,421,348
1981	80	441	513,838,600
1980	67	313	161,890,065
1979	50	196	64,771,438

By way of additional information, the Management Board Orders with respect to the 1983 fiscal year are summarized as follows by month of issue:

Month of Issue	Number	Authorized $	%
August 1982.....	1	2,503,700	0.52
September 1982	1	270,000	0.06
October 1982	1	527,500	0.11
December 1982	5	1,136,600	0.24
January 1983	4	13,497,200	2.80
February 1983	13	60,040,700	12.47
March 1983	35	175,269,800	36.41
April 1983	26	225,003,700	46.75
May 1983.....	1	313,200	0.06
June 1983.....	2	2,721,900	0.57
July 1983.....	1	30,600	0.01
	90	481,314,900	100.00

For the 1983 fiscal year, four Management Board Orders totalling $3,065,700 were issued subsequent to April 1983 as follows:

Ministry	Activity	Amount Authorized $
Industry and Trade	Ontario Development Corporation	2,450,000
Justice Policy	Justice Policy	313,200
Natural Resources	Mineral Management	271,900
Tourism and Recreation	Tourism Marketing Development	30,600

A Management Board of Cabinet letter to Deputy Ministers dated February 14, 1983 required that requests for Management Board Orders be submitted prior to April 12, 1983 and noted that additional authority should be obtained before requisitioning any payment which would exceed existing spending authority. In each of the preceding Activities, expenditures had been made prior to the provision of the necessary funds, effectively making the expenditures under these appropriations illegally overspent. However, requests for additional funds were subsequently made, resulting in the issue of Management Board Orders dated May 24, June 14 and July 5, 1983.

A detailed listing of Management Board Orders, showing the amounts authorized and expended thereunder, is included as Exhibit 3 of this Report.

In accordance with Standing Order number 51 of the Legislative Assembly, the preceding Management Board Orders have been printed in The Ontario Gazette, together with explanatory information.

5.12 Special Warrants

Section 4 of the Management Board of Cabinet Act provides for the issue of a special warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

No special warrants were issued in respect of the fiscal year ended March 31, 1983.

5.13 Transfers Authorized by Board of Internal Economy

Section 88 of the Legislative Assembly Act reads:

"The Board of Internal Economy may authorize the transfer of moneys from one item of the estimates of the Office of the

Assembly to another item within the same Vote and the Provincial Auditor shall make special mention in his report of any transfer under this section."

In respect of the 1982-83 expenditure estimates, the following transfers totalling $260,114 were made within Vote 1001:

		$
From: Item 10	Constituency Offices	260,114
To: Item 3	Chief Election Officer	46,142
Item 4	Hansard	85,703
Item 6	Members' Indemnities	62,403
	Statutory Contribution to Legislative Assembly Retirement Allowances Account, the Legislative Assembly Retirement Allowances Act	65,866

5.14 Write-Off of Uncollectible Accounts

Section 5 of the Financial Administration Act reads as follows:

"5.—(1) Where a person has an obligation or debt due to the Crown or the Crown has a claim against a person, the Treasurer may, subject to any other Act affecting such obligation, debt or claim, negotiate and accept a settlement in payment and satisfaction of such obligation, debt or claim, or may determine that any such obligation, debt or claim is uncollectible.

"(2) The Lieutenant Governor in Council, on the recommendation of the Treasurer, may, if he considers it in the public interest, delete from the accounts any loss incurred in any settlement or determination made under subsection (1).

"(3) The losses deleted from the accounts during any fiscal year shall be reported in the Public Accounts for that year."

A summary of the losses deleted from the accounts for the past five fiscal years is as follows:

	$
1983	9,658,738
1982	12,607,776
1981	10,295,160
1980	15,342,289
1979	17,454,136

The majority of the preceding write-offs do not affect the Net Debt

of the Province, since they relate to memorandum accounts which are set out on pages 3-21 to 3-25 of Volume 1 of the Public Accounts.

During the 1983 fiscal year seven Orders in Council were passed authorizing the deletion of losses from the accounts. Deleted losses totalled $9,658,738 and are summarized by ministry on page 3-19 of Volume 1 of the Public Accounts. The following additional comment is provided for some of the larger write-offs.

The Ministry of Revenue wrote off $4,204,923 with respect to various unpaid taxes and GAINS overpayments. The major write-offs were as follows:

	$
Corporation Tax Act	2,080,726
Retail Sales Tax	1,433,843
Ontario Guaranteed Annual Income Act (GAINS)	389,505

Uncollectible accounts totalling $2,098,857 relative to fines, costs and fees owed to Provincial Courts were written off by the Ministry of the Attorney General.

The Ministry of Consumer and Commercial Relations wrote off $1,247,013 with respect to the Motor Vehicle Accident Claims Fund. The majority of this write-off pertained to claims/judgements at least ten years old, on which no payments had been made for at least five years.

6

OFFICE OF THE PROVINCIAL AUDITOR

6.1 Office Goals

PRIMARY GOAL

The primary goal of the Legislative Auditor can be described as follows:

> —To help the Legislature hold the government accountable by reporting to the Legislature on the quality of the administration's stewardship of public funds.

The Provincial Auditor seeks to achieve this goal by reporting annually to the Legislature under the authority of section 12 of the Audit Act. Essentially, this annual report consists of:

- expression of an opinion on the Province's financial statements as to their fairness and consistency in accordance with stated accounting policies, and
- disclosure of significant matters noted in the course of audit of government ministries and agencies, for example, where:
  - —accounts were not properly kept or essential records not maintained;
  - —rules and procedures were not adequate for the safeguard of public property, the collection of revenue and the authorization of expenditure;
  - —money was expended without due regard to economy and efficiency;
  - —appropriate procedures were not established to measure and report on the effectiveness of programs.

Wherever possible, audit assessments and observations are accompanied by recommendations for improvement.

SECONDARY GOAL

While the Provincial Auditor's primary reporting responsibility to the Legislature is unequivocal, the Provincial Auditor has a secondary reporting responsibility to those charged with the administration of the various agencies and ministries which he audits. For agencies this responsibility is generally stipulated in the enabling legislation. For

ministries this responsibility has not been legislated. Rather it has been recognized by the Provincial Auditor as a further responsibility which is appropriate in the circumstances and in the interest of improved government administration.

Accordingly the secondary goal of the Provincial Auditor can be expressed as follows:

> —To help Deputy Ministers/Agency Heads hold their administrations accountable by reporting to them on the quality of the ministries'/agencies' stewardship of public funds.

The Provincial Auditor reports to a Deputy Minister or to an Agency Head at the conclusion of each audit. These reports consist of assessments of significant areas covered in the course of audit together with recommendations for improvement.

The reporting process is more fully described in section 6.9.

6.2 Audit Responsibilities

PRIMARY RESPONSIBILITIES

The primary audit responsibilities of the Provincial Auditor are twofold and involve the examination of:

(a) The accounts of the Province in accordance with his appointment as auditor under the Audit Act.

(b) The accounts of agencies of the Crown in accordance with his appointment as auditor under various related statutes or other appropriate authorities.

Accounts of the Province

The examination of the accounts of the Province is made in conformity with section 9(1) of the Act which reads as follows:

> "The Auditor shall audit, on behalf of the Assembly and in such manner as the Auditor considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise."

In this connection, all ministries are subject to audit in accordance therewith. These audits, when combined with the audit activities of the Office's Reporting and Standards Branch, enable the Provincial Auditor to express an opinion on the financial statements of the Province. A listing of the ministry audits covered by this report appears in Exhibit 6.

Accounts of Agencies of the Crown

An agency of the Crown is defined in section 1(a) of the Audit Act (see Exhibit 1). For the year ended March 31, 1983 the Provincial Auditor had direct audit responsibility for sixty-one agencies of the Crown pursuant to his appointment as auditor by shareholders, governing bodies or under various statutes. These agencies are listed as parts (i) and (ii) of Exhibit 7 of this Report.

Section 9(2) of the Act provides that in instances where an agency of the Crown is audited by an auditor other than the Provincial Auditor, the audit is to be performed under the direction of the Provincial Auditor, and such other auditor is required to report to the Provincial Auditor. For the year ended March 31, 1983 seven agencies were in this category, and are shown under parts (iii) and (iv) of Exhibit 7.

ADDITIONAL RESPONSIBILITIES

Under section 16 of the Act, the Provincial Auditor is required to examine into and report on any matter referred to him in respect of the Public Accounts by a resolution of the Standing Public Accounts Committee.

Section 17 of the Act requires the Provincial Auditor to undertake such special assignments as may be required by either the Assembly, the Standing Public Accounts Committee (by resolution of the Committee), or by a Minister, provided that such special assignments do not take precedence over the Auditor's other duties. Further, if such an assignment is referred to the Provincial Auditor by a Minister, it can be declined if, in the opinion of the Auditor, it conflicts with his other duties.

6.3 Audit Activities

ATTEST AND COMPLIANCE

In order to express a professional opinion on the financial statements of the Province and numerous agencies of the Crown, audits are conducted in accordance with generally accepted auditing standards, as promulgated by the Canadian Institute of Chartered Accountants.

All ministry and agency audits include a general review of the accounting procedures and systems of internal control, together with such tests of accounting records and supporting evidence as are considered necessary in the circumstances. Additionally, compliance with existing statutes and regulations is reviewed.

Fraud and Error

When performing audits in accordance with generally accepted

auditing standards, auditors seek reasonable assurance through various means that material fraud and error have not occurred or that, if they have occurred, they are corrected and properly accounted for. However, it must be realized that such audits may not detect, and are not primarily designed to detect, every instance of fraud or error.

The resources required to examine the circumstances behind and the support for every transaction recorded would be prohibitive. Even if the resources were available, assurance that there were no unrecorded transactions would still be lacking. Furthermore, collusion between ministry/agency personnel and outside parties, or among management or employees could result in apparently genuine but falsified transactions and documents being accepted by the auditor.

VALUE FOR MONEY

In addition to the preceding activities of an attest/compliance nature, section 12(2)(f) of the Audit Act requires the Provincial Auditor to report on any cases where he has observed that money was expended without due regard to economy and efficiency, or where appropriate procedures were not taken to measure the effectiveness of programs. This is commonly known as the value for money audit mandate.

More concisely, the Provincial Auditor is required to report to the Legislature significant instances where he has observed that management is not fulfilling its responsibilities. It should be noted that it is not part of our mandate to evaluate the effectiveness of programs, or to develop standards dealing with the efficiency of program delivery. These are ministry/agency management functions. Our mandate is to assess the extent to which these functions have been carried out by management.

The Office undertakes reviews on a program, activity or system basis. These reviews are designed to assess components of the management process as they relate to economy, efficiency and procedures to measure effectiveness.

6.4 Comprehensive Auditing

WHAT IS COMPREHENSIVE AUDITING?

In a recent publication entitled "Comprehensive Auditing — Concepts, Components and Characteristics", the Canadian Comprehensive Auditing Foundation has defined this type of auditing as follows:

> ". . . an examination that provides an objective and constructive assessment of the extent to which:

- financial, human, and physical resources are managed with due regard to economy, efficiency and effectiveness; and
- accountability relationships are reasonably served.

"The comprehensive audit examines both financial and management controls, including information systems and reporting practices, and recommends improvements where appropriate."

BROADER SCOPE AND ADDITIONAL SKILLS

As indicated in section 6.3, in essence we are attempting to review components of the management process and assess whether managers are doing their job. In our view, the issue of responsibility/accountability should permeate all aspects of the management process. Our audit approach, therefore, is consistent with the preceding definition.

The Foundation also describes a number of characteristics of comprehensive auditing. We do not fully subscribe to all of these characteristics, notably breadth of scope and use of multi-disciplinary skills. Where it has been practiced to date, comprehensive auditing has been characterized by large scale applications and heavy involvement of management consultants and other specialists. Frequently projects take more than a year to complete with input by other than audit disciplines representing a high proportion of total audit time.

OFFICE HAS NOT ADOPTED COMPREHENSIVE AUDITING

The Office has reservations about the practicality and cost of the full application of comprehensive auditing. As a result, we have elected to direct our attention to what we believe to be the essential element of comprehensive auditing — value for money auditing, which we are progressively integrating with our conventional financial and compliance audit activities. The scale of any audit activity is generally designed to permit completion within three to six months utilizing our current audit resources.

Reliance on existing audit resources is based on our belief that the Legislature is looking for a common sense approach by an independent and competent professional auditor, one who recognizes good management and understands good management practices. This position, however, does not rule out the occasional use of specialists in other disciplines if the need is clearly evident.

6.5 Management Process

The management process has been described in the Ontario

Government as the purposeful, systematic and integrated sequence of management activities which coordinates the efforts of managers. These activities exist to avoid chaos and to enable managers to perform their full range of functions. The management process is broadly seen as a cycle of five sequential management functions:

- Evaluate and set direction — this refers to broad policy-making or direction-setting activities such as strategic planning, policy formulation and program evaluation.
- Plan and allocate — this more specific function includes the setting of objectives and priorities, contingency and capital planning, resource allocation, and operational planning and budgeting.
- Organize and staff/specify and acquire — this relates to the overall design and modification of organizations, down to the level of job specifications and staffing of positions. It also relates to designing (specifying) the work flow, resource requirements and outputs, and acquiring the needed resources.
- Motivate and direct/install and operate — "motivate and direct" refers to human resources, whereas "install and operate" refers to non-human resources.
- Monitor and maintain direction — this function serves the purpose of isolating problems in time to fix them, in order to achieve the planned results.

The adequacy of each of the sequential functions will influence, directly or indirectly, the manager's ability to operate with due regard to economy, efficiency and effectiveness.

6.6 Systems to Ensure Economy, Efficiency and Effectiveness

To minimize any misunderstanding that might result from the use of the terms, it is appropriate to provide definitions and examples of systems designed to ensure due regard for economy, efficiency and effectiveness. Inherent in all such systems is the important element of sound management planning and control processes being in place and operating satisfactorily.

ECONOMY

A system designed to ensure economy is one that ensures that resources are acquired at the lowest cost compatible with obtaining necessary goods and services of suitable quality. This definition recognizes that although cost is the prime consideration when dealing with economy, quality and quantity are also important ingredients. Examples of systems designed to ensure (and/or improve) economy are:

- asset acquisition review systems which seek to avoid inappropriate or unnecessary capital expenditures.
- systems which ensure that invoices subject to cash discounts or to which interest may be added for late payment, are paid within the prescribed periods.

EFFICIENCY

Efficiency refers to the relationship between goods or services produced and the resources used to produce them. A system designed to ensure efficiency is one which ensures that the maximum output is produced for any given set of resource inputs, or that minimum resource inputs are used for any given quantity and quality of service provided. Examples of systems designed to ensure (and/or improve) efficiency are:

- manpower management and performance evaluation systems. These would include systems to detect situations where too many people are involved in a process, or senior staff are performing tasks more appropriate to junior staff.
- systems to measure the levels of utilization of capital assets.

EFFECTIVENESS

A system designed to measure and report on the effectiveness of programs is one which measures and reports on the extent to which a program achieves its predetermined goals or other intended effects. We recognize that the effectiveness of programs is not always easily evaluated, and that management procedures for measuring and reporting effectiveness will differ between programs.

In this regard, a program might be established with the objective of achieving a specified reduction in total energy consumption in public sector buildings over a specific period of time. A system designed to measure and report on the effectiveness of this program would include the following components:

- collecting energy consumption statistics;
- comparing these statistics to those of a base period;
- verifying of the accuracy and reliability of the statistics;
- reporting on the achievement of the objective, and taking any necessary corrective action.

6.7 Audit of Transfer Payments

DESCRIPTION OF TRANSFER PAYMENTS

As stated in chapter 5 of this Report, transfer payments represent expenditures made to individuals, organizations and other levels of government, for which the Province does not directly receive goods or services. In total, more than 70% of Provincial expenditure consists of transfer payments.

The majority of these payments are made for specific purposes, with an expectation that the recipient will fulfil specific conditions or perform certain actions with the money received. The funding of school boards and universities and Wintario grants are examples of this type.

Some of these payments, however, are unconditional, making no specific provision for the use of the money by the recipient. Examples of this type are unconditional per capita grants to municipalities and payments to individuals such as Guaranteed Annual Income Supplement (GAINS) and Property Tax grants.

AUDIT AT MINISTRY LEVEL

Transfer payments are subject to a certain degree of audit coverage in connection with our ongoing attest/compliance activities. Such coverage includes ensuring that selected payments are properly authorized and verifying the calculation thereof, as well as determining the adequacy of procedures being carried out by management to assess the efficiency and effectiveness of activities involving the administration of transfer payments. Similar procedures may also be carried out by the internal audit branches of the various ministries.

INSPECTION AUDITS

Section 13 of the Audit Act (see Exhibit 1) provides that, in the case of grant payments made by the Province or an agency or the Crown, the Provincial Auditor may perform inspection audits thereof, and also may obtain a full accounting of the disposition of such grants from the recipients. Inspection audits are defined as examinations of accounting records.

Purpose of Inspection Audit Provision

What was sought by this section of the Act was the right of the Provincial Auditor to access the records of recipients of grants which were made for specific purposes to determine that the funds were, in fact, spent for the purposes specified, or that the conditions under which the grants were paid were met. Certain ministry internal audit branches, pursuant to the terms of agreements with grant recipients, also have the right to perform inspection audits.

Approach to Inspection Audits

There are a myriad of recipients of transfer payments/grants. In Ontario, for example, there are more than 240 hospitals, 170 school boards and 40 universities and community colleges, not to mention the many organizations and individuals who are grant recipients under such programs or activities such as Wintario and cultural and arts support.

It is not feasible, nor was it intended, that the Provincial Auditor extensively audit grant recipients. To do so would require greatly expanded audit resources. The Provincial Auditor conducts inspection audits on an exception basis where, for example, information received or other audit evidence would indicate that such an audit is advisable. In addition, other inspection audits are undertaken on a selective basis. The selection process is strongly influenced by the extent of involvement and control exercised by the ministry or agency, such as the availability of audited financial statements or review by operating personnel or internal audit groups.

Inspection Audits and the Value for Money Issue

Since an inspection audit is defined as "an examination of accounting records" we have concluded that an inspection audit is designed to determine whether funds have been spent for the purpose for which they were provided.

An inspection audit, therefore, would not specifically examine management controls with respect to the economy, efficiency and effectiveness of the recipient's operations. However, observations relative to these value for money issues may well arise as a by-product of an inspection audit.

TRANSFER PAYMENTS AND THE VALUE FOR MONEY ISSUE

We believe it is the responsibility of the government to assure that funds provided in the form of transfer payments are well managed by the recipients, that is, spent with due regard for economy, efficiency and effectiveness. Value for money auditing can certainly assist funding ministries/agencies in the fulfillment of this responsibility.

Ministry/Agency Initiative

The impetus for value for money auditing should come from the funding ministries/agencies. Major recipients of transfer payments include hospitals, universities and municipalities; these bodies are audited by public accountants appointed by the governing boards of the organizations. Accordingly, appropriate direction could flow from the ministry directly, or through the governing board of the organization, to the appointed auditor. The results of value for money reviews should, in our opinion, be reported to both the ministry and the governing board.

Since auditors are normally appointed by the governing board for purposes of financial audit, appointed auditors may find themselves in a conflict of interest situation as they strive to respond to the basic requirements of the board on the one hand and the direction of the ministry on the other. As a result, therefore, a ministry may wish to make other arrangements for the conduct of value for money auditing. It may wish, for example, to have its internal audit staff address the issue.

Provincial Auditor's Involvement

The Provincial Auditor would not have any direct involvement in the aforementioned value for money audit process. Indirectly he may become involved in the course of his continuing ministry audit responsibilities. This involvement may arise as a result of assessing the steps taken by a ministry to satisfy itself that funded organizations are being well managed. Where value for money auditing is a component of this process, the Provincial Auditor should have access to audit reports and be in a position to assess the scope and depth of the coverage provided.

ACCOUNTABILITY FOR TRANSFER PAYMENTS

Reference should be made to section 3.2 of this Report, which contains a detailed narrative on the subject of accountability as it relates to transfer payments.

6.8 Crown Controlled Corporations

AUDITED BY PUBLIC ACCOUNTING FIRMS

A Crown controlled corporation is defined in section 1(e) of the Audit Act (see Exhibit 1). Many of these corporations are audited by public accounting firms. Under section 9(3) of the Act the auditors are required, upon completion of each such audit, to deliver to the Provincial Auditor a copy of the audited financial statements together with a copy of the report of their findings and recommendations to management (i.e. management letter). As is the case with our own individual reports, matters raised in these management letters which, in our judgment, are of interest or significance to the Legislature, are subject to inclusion in our annual report.

Additionally, under section 9(3) of the Act, the Provincial Auditor is entitled to review the working papers and other documents related to the audit of such corporations. It is currently the policy of the Office to review such working papers and other documents on a cyclical basis at least once in a four year period. Additional reviews would, of course, be conducted should events or circumstances so warrant.

A listing of Crown controlled corporations audited by public

accounting firms, for the year ended March 31, 1983, is included as part of Exhibit 7 of this Report.

Application of Value for Money Auditing Thereto

The situation regarding Crown controlled corporations that are audited by another auditor differs from agencies of the Crown audited by another auditor. With agencies of the Crown, pursuant to section 9(2) of the Act, the Provincial Auditor has responsibility for the audit since he is required to direct the audit. Hence, the Provincial Auditor could at any time direct that value for money auditing be undertaken.

Where Crown controlled corporations are audited by another auditor under section 9(3) of the Act (see Exhibit 1), the Provincial Auditor does not direct the audit, and hence has no responsibility for the audit. However, the Provincial Auditor can request any information within the knowledge of the other auditor (per section 9(3)(c)). In this regard, the other auditor is expected to be aware of the relevant sections of the Act and be prepared to advise the Provincial Auditor, if not already covered in the management letter, of any deficiencies in respect of value for money observed during the audit. However, the Provincial Auditor could not direct that value for money auditing be undertaken by the other auditor.

Under section 9(4), the application of which is seen as infrequent and on an exception basis, the Provincial Auditor could request the appointed auditor to conduct value for money auditing. However, the appointed auditor could decline, leaving the Provincial Auditor in the position of conducting the review himself or hiring the required resources.

In summary, value for money auditing comments in respect of Crown controlled corporations audited by public accounting firms could emanate from the following sources:

- Observations by the appointed auditor made in the course of financial or compliance audits and reported in the management letter.
- Information obtained by the Provincial Auditor from the appointed auditor pursuant to section 9(3)(c) of the Act.
- Observations by the appointed auditor or the Provincial Auditor pursuant to audit activity under section 9(4) of the Act.

NOT AUDITED BY PUBLIC ACCOUNTING FIRMS

In addition to Crown controlled corporations audited by public accounting firms, there are certain other Crown controlled corporations whose enacting legislation does not contain any audit provision. In the case of these corporations, their revenue is not retained, but is deposited directly

into the Consolidated Revenue Fund of the Province. Expenditures of these corporations are paid by ministries out of moneys appropriated therefor by the Legislature. As a result, these corporations have no assets or liabilities for accounting purposes. The operations and transactions of such corporations, are, however, subject to audit as part of our ministry audit process. Examples of these corporations are the Liquor Licence Board and the Niagara Escarpment Commission.

6.9 Provincial Auditor's Reporting Process

MINISTRIES

A report on the audit outlining our findings and recommendations is issued to the Deputy Minister at the conclusion of each ministry audit. Authority for this course of action is contained in section 18 of the Audit Act. The more significant findings and recommendations in the ministry reports are included in the Provincial Auditor's annual report to the Legislature.

Before the report to the Deputy Minister is finalized the auditor-in-charge, Manager and Director will discuss the audit findings and recommendations with senior ministry officials. A typed draft of the report serves as the basis for this discussion. A copy of this draft marked "Draft For Discussion Purposes Only" is provided to the ministry officials in advance of the discussion.

It is entirely at the discretion of the ministry which officials should participate in the discussion. We recommend participation by the most senior personnel concerned, up through the Executive Director and Assistant Deputy Minister level. We do not recommend participation by the Deputy Minister. Since the report that is ultimately sent to the Deputy Minister is effectively an assessment of the administration responsible to him, in our view it is not appropriate to involve the Deputy in the finalization of that assessment. We would expect, however, that the senior officials would keep the Deputy Minister informed of any significant audit findings as they arise.

Also, the content of the draft report may be revised as a result of discussion with ministry officials and in the course of subsequent review by the Assistant Provincial Auditor or the Provincial Auditor. Consequently, participation by the Deputy Minister at the draft stage may well involve him/her in the unnecessary consideration of matters that will not form part of the final report.

Draft reports are considered to be an integral part of the working papers and, in accordance with section 19 of the Audit Act, shall not be laid before the Assembly or any committee of the Assembly.

When the report has been finalized and issued by the Provincial Auditor to the Deputy Minister, representatives of our Office will be pleased to meet with the Deputy Minister or senior ministry personnel to discuss any matters on which they wish clarification or further information.

AGENCIES

The Provincial Auditor has a responsibility to report to the Board of Directors, or equivalent body, and to the designated Minister of each agency which has been the subject of the audit. In most instances this responsibility is stipulated in the agency's enabling legislation.

In our opinion this reporting responsibility is appropriate. For this reason, and in the interest of consistency, we have considered the responsibility applicable to those instances where the agency's legislation is not specific in this regard. Accordingly, a report on the audit outlining our findings and recommendations is issued to the Board of Directors, and to the Minister, at the conclusion of each agency audit. This course of action is consistent with section 18 of the Audit Act. The more significant findings and recommendations in the agency reports are included in the Provincial Auditor's annual report to the Legislature.

Before the report to the Board and to the Minister is finalized, the auditor-in-charge, Manager and Director will discuss the audit findings and recommendations with senior agency officials. A typed draft of the report serves as the basis for this discussion. A copy of this draft marked "Draft For Discussion Purposes Only" is provided to the agency officials in advance of the discussion.

It is entirely at the discretion of the agency which officials should participate in the discussion. We recommend participation by the most senior personnel concerned, up through the Chief Executive Officer level. We do not recommend participation by the Chairman or other members of the Board. Since the report that is ultimately sent to the Board of Directors is effectively an assessment of the administration responsible to them, in our view it is not appropriate to involve members of the Board in the finalization of that assessment. We would expect, however, that the Chief Executive Officer would keep the Chairman informed of any significant audit findings as they arise.

Also, the content of the draft report may be revised as a result of discussion with agency officials and in the course of subsequent review by the Assistant Provincial Auditor or the Provincial Auditor. Consequently, participation by the Board at the draft stage may well involve them in the unnecessary consideration of matters that will not form part of the final report.

When the report has been finalized and issued by the Provincial Auditor to the Board, representatives of our Office will be pleased to meet with the Board, or a committee thereof, to discuss any matters on which they wish clarification or further information.

Interim Procedures

Where interim work has been carried out prior to the fiscal year end of the agency and the findings are deemed to be significant, a letter outlining our findings and recommendations is issued by the Branch Director of our Office to the Chief Executive Officer.

This is done so that management can take immediate corrective action where necessary and to allow management sufficient time to review, discuss and prepare a response to the findings prior to the final audit.

Significant findings in the interim letter will be included in our final report together with the current status thereof, as per the agency's response and our follow-up work.

General

Draft reports and interim letters are considered to be an integral part of the working papers and, in accordance with section 19 of the Audit Act, shall not be laid before the Assembly or any committee of the Assembly.

LEGISLATIVE ASSEMBLY

Matters raised in audit reports issued in respect of ministries and agencies which, in our judgment, are of interest or significance to the Legislative Assembly, are included in chapters 3 and 4 of this Report. Similarly included are significant matters arising from any special assignments undertaken for a Minister pursuant to section 17 of the Audit Act. In all cases where replies have been received to our findings and recommendations, the relevant portions are included for information purposes, generally without further comment by this Office. As a result of printing deadlines, as covered in section 1.2, it is not possible to include any replies received subsequent to September 30 in this Report.

Our annual report is referred by the Legislature to the Standing Public Accounts Committee for their review and deliberations (see section 1.5). Once this has been done, replies to sections in our Report which are received subsequent to September 30 are forwarded to the Committee for their attention.

As noted in the previous section, public accounting firms audit a number of Crown controlled corporations. Matters raised by these firms in their reports to management may also be included in our annual report.

PUBLIC DISCLOSURE

Our individual audit reports issued at the conclusion of each ministry or agency audit, or upon completion of any special assignment for a Minister, are not laid before the Assembly or a committee of the Assembly. Nor are the reports to management by the auditors of Crown controlled corporations. However, the Standing Public Accounts Committee or any other committee of the Legislature may, by resolution, request that such audit reports be made available if they are deemed essential or beneficial in the pursuit of the committee's appointed duties. As soon as a report is laid before a committee it becomes a public document.

6.10 Office Organization and Personnel

ORGANIZATION

The Office of the Provincial Auditor is divided into six branches, each of which is administered by a Director. The six Directors, together with the Assistant Provincial Auditor and the Provincial Auditor, collectively comprise the Office's Management Committee. An organization chart of the Office is presented as Exhibit 5 of this Report.

Policy Field Branches (4)

The four Policy Field branches are responsibile for the audits of all ministries and agencies of the Crown falling under each of the Provincial Government Policy Fields — General Government, Justice, Resources Development and Social Development. These branches also have responsibility for coordinating the Office's relationship with the external auditors of those Crown controlled corporations for which the Provincial Auditor is not the designated auditor.

Reporting Standards Branch

The primary responsibilities of this branch are the audit of the Province's financial statements which appear in Volume 1 of the Public Accounts, the preparation of the Annual Report of the Provincial Auditor to the Legislature, the development and maintenance of the Office's Audit Manual, and the conduct of post-audit quality control reviews.

Specialized Audits and Resources Branch

This branch has basic responsibility for EDP audits, value for money reviews, and for recruitment, staff training and professional development.

PERSONNEL

The composition of the staff of the Audit Office at September 30, 1982 and 1983 was as follows:

	September 30	
	1982	1983
Management Committee	8	8
Audit Managers	13	13
Audit Supervisors	15	15
Auditors	16	15
Student auditors, audit technicians and assistants	38	34
Personnel and administrative	8	8
Total staff	98	93

As the preceding summary indicates, there was a net loss of 5 staff members during the year. This net loss was the result of 14 staff members leaving the Office together with the hiring of 9 new staff members. Efforts are being made to recruit new staff, thus bringing the Office closer to its authorized complement of 103.

Included in the category for student auditors, audit technicians and assistants are 30 employees who are enrolled in various stages of courses leading to professional qualifications through either The Institute of Chartered Accountants of Ontario (CA) or The Society of Management Accountants of Ontario (RIA).

6.11 Staff Training and Professional Development

The establishment and maintenance of an ongoing program of both pre and post qualification professional training is considered essential to the long-term development of the Office and its staff. Although "on the job" training is a major part of this program, our professional staff and students attend in-house courses and seminars designed to enhance their auditing and management skills. Some of the courses have been developed and are presented by our staff; others are purchased from other sources.

In addition to the preceding, staff members also attend independently sponsored seminars where it is felt that the material covered will be of benefit to job performance.

6.12 Canadian Conference of Legislative Auditors

The eleventh annual meeting of the Canadian Conference of Legislative Auditors was held in Toronto from July 10 to July 13, 1983. This

informal association, consisting of the legislative auditors of all the provinces and Canada, has served since its inception as a useful forum for the sharing of ideas and information important to the legislative auditing community. Various senior members of our Office attended as participants and observers.

Matters discussed at the Conference included the format of audit reports, the scope of attest and authority audits, EDP auditing and objectives of government financial statements.

At the same time, representatives of the Public Accounts Committees from the provinces and Canada held their fifth annual meeting. Included in the agenda of both groups was a combined meeting on July 12, at which time a panel discussion was held dealing with the subject "How well are Public Accounts Committees and Auditors doing?" The panelists for this discussion were Professor Douglas Hartle, University of Toronto, and Orland French, a columnist for the Globe and Mail.

6.13 Examination of the Accounts of the Office of the Provincial Auditor

Section 28 of the Audit Act reads as follows:

> "A person or persons, not employed by the Crown or the Office of the Assembly, licensed under the Public Accountancy Act and appointed by the Board, shall examine the accounts relating to the disbursements of public money on behalf of the Office of the Auditor and shall report thereon to the Board and the chairman of the Board shall cause the report to be laid before the Assembly if it is in session, or, if not, at the next ensuing session."

The Board referred to in the preceding quotation is the Board of Internal Economy. The Office's audited statement of expenditure for the year ended March 31, 1983, which will be tabled in the Assembly during the fall session, is included as Exhibit 8 of this Report.

EXHIBITS

1. Sections of the Audit Act Relevant to the Responsibilities of the Provincial Auditor.
2. Province of Ontario, Audited Financial Statements, Year Ended March 31, 1983.
3. Management Board Orders—Amounts Authorized and Expended Thereunder, Year Ended March 31, 1983.
4. Statutory Appropriations—Amounts Expended Thereunder, Year Ended March 31, 1983.

Office of the Provincial Auditor:

5. Organization Chart.
6. Ministry Audits and Special Reviews, Year Ended March 31, 1983.
7. Agency of the Crown and Crown Controlled Corporation Audits, Year Ended March 31, 1983.
8. Audited Statement of Expenditure, Year Ended March 31, 1983.
9. Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports.
10. Status of Recommendations Contained in the Reports of the Standing Public Accounts Committee to the Legislative Assembly.

EXHIBIT 1

SECTIONS OF THE AUDIT ACT RELEVANT TO THE RESPONSIBILITIES OF THE PROVINCIAL AUDITOR

KEY DEFINITIONS

Agency of the Crown

1. (a) "agency of the Crown" means an association, authority, board, commission, corporation, council, foundation, institution, organization or other body,

(i) whose accounts the Auditor is appointed to audit by its shareholders or by its board of management, board of directors or other governing body,

(ii) whose accounts are audited by the Auditor under any other Act or whose accounts the Auditor is appointed by the Lieutenant Governor in Council to audit,

(iii) whose accounts are audited by an auditor, other than the Auditor, appointed by the Lieutenant Governor in Council, or

(iv) the audit of the accounts of which the Auditor is required to direct or review or in respect of which the auditor's report and the working papers used in the preparation of the auditor's statement are required to be made available to the Auditor under any other Act,

but does not include one that the Crown Agency Act states is not affected by that Act or that any other Act states is not a Crown Agency within the meaning or for the purposes of the Crown Agency Act.

Crown Controlled Corporation

1. (e) "Crown controlled corporation" means a corporation that is not an agency of the Crown and having 50 per cent or more of its issued and outstanding shares vested in Her Majesty in right of Ontario or having the appointment of a majority of its board of directors made or approved by the Lieutenant Governor in Council.

Inspection Audit

1. (g) "inspection audit" means an examination of accounting records.

EXAMINATION OF ACCOUNTS

Consolidated Revenue Fund

9.(1) The Auditor shall audit, on behalf of the Assembly and in such

manner as the Auditor considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise.

Agencies of the Crown and Crown Controlled Corporations

9.(2) Where the accounts and financial transactions of an agency of the Crown are not audited by another auditor, the Auditor shall perform the audit, and, notwithstanding any provision of any other Act, where the accounts and financial transactions of an agency of the Crown are audited by another auditor, the audit shall be performed under the direction of the Auditor and such other auditor shall report to the Auditor.

9.(3) Where the accounts of a Crown controlled corporation are audited other than by the Auditor, the person or persons performing the audit,

(a) shall deliver to the Auditor forthwith after completion of the audit a copy of their report of their findings and their recommendations to the management and a copy of the audited financial statements of the corporation;

(b) shall make available forthwith to the Auditor, when so requested by the Auditor, all working papers, reports, schedules and other documents in respect of the audit or in respect of any other audit of the corporation specified in the request;

(c) shall provide forthwith to the Auditor, when so requested by the Auditor, a full explanation of work performed, tests and examinations made and the results obtained, and any other information within the knowledge of such person or persons in respect of the corporation.

9.(4) Where the Auditor is of the opinion that any information, explanation or document that is provided, made available or delivered to him by the auditor or auditors referred to in subsection (2) or (3) is insufficient, the Auditor may conduct or cause to be conducted such additional examination and investigation of the records and operations of the agency or corporation as the Auditor considers necessary.

SUBMISSION OF ANNUAL AND SPECIAL REPORTS

12.(1) The Auditor shall report annually to the Speaker of the Assembly after each fiscal year is closed and the Public Accounts are laid before the Assembly, but not later than the 31st day of December in each year unless the Public Accounts are not laid before the Assembly by that day, and may make a special report to the Speaker

at any time on any matter that in the opinion of the Auditor should not be deferred until the annual report, and the Speaker shall lay each such report before the Assembly forthwith if it is in session or, if not, not later than the tenth day of the next session.

CONTENT OF ANNUAL REPORT

12.(2) In his annual report in respect of each fiscal year, the Auditor shall report on,

(a) the work of the Office of the Auditor, and on whether in carrying on the work of the Office the Auditor received all the information and explanations required;

(b) the examination of accounts of receipts and disbursements of public money;

(c) the examination of the statements of Assets and Liabilities, the Consolidated Revenue Fund and Revenue and Expenditure as reported in the Public Accounts, and shall express an opinion as to whether the statements present fairly the financial position of the Province, the results of its operations and the changes in its financial position in accordance with the accounting principles stated in the Public Accounts applied on a basis consistent with that of the preceding fiscal year together with any reservations the Auditor may have;

(d) all special warrants issued to authorize payments, stating the date of each special warrant, the amount authorized and the amount expended;

(e) all orders of the Management Board of Cabinet made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended;

(f) such matters as, in the opinion of the Auditor, should be brought to the attention of the Assembly including, without limiting the generality of the foregoing, any matters related to the audit of agencies of the Crown or Crown controlled corporations or any cases where the Auditor has observed that,

(i) accounts were not properly kept or public money was not fully accounted for,

(ii) essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized,

(iii) money was expended other than for the purposes for which it was appropriated,

(iv) money was expended without due regard to economy and efficiency, or

(v) where procedures could be used to measure and report on the effectiveness of programs, the procedures were not established or, in the opinion of the Auditor, the established procedures were not satisfactory.

INSPECTION AUDITS

13.(1) The Auditor may perform an inspection audit in respect of a payment in the form of a grant from the Consolidated Revenue Fund or an agency of the Crown and may require a recipient of such a payment to prepare and to submit to the Auditor a financial statement that sets out the details of the disposition of the payment by the recipient.

ASSISTANCE TO STANDING PUBLIC ACCOUNTS COMMITTEE

16. At the request of the Standing Public Accounts Committee of the Assembly, the Auditor and any member of the Office of the Auditor designated by the Auditor shall attend at the meetings of the committee in order,

(a) to assist the committee in planning the agenda for review by the committee of the Public Accounts and the annual report of the Auditor; and

(b) to assist the committee during its review of the Public Accounts and the annual report of the Auditor,

and the Auditor shall examine into and report on any matter referred to him in respect of the Public Accounts by a resolution of the committee.

SPECIAL ASSIGNMENTS

17. The Auditor shall perform such special assignments as may be required by the Assembly, the Standing Public Accounts Committee of the Assembly, by resolution of the committee, or by a minister of the Crown in right of Ontario but such special assignments shall not take precedence over the other duties of the Auditor under this Act and the Auditor may decline an assignment by a minister of the Crown that, in the opinion of the Auditor, might conflict with the other duties of the Auditor.

EXHIBIT 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting Basis

The following financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The fundamental requirement to report compliance with legislative authority results in a presentation of financial information in a manner significantly different from that used in the private sector. The accrual basis of accounting used in the private sector best reflects the costs incurred to earn revenues; the policies and practices followed by the Province, under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows, best accommodates reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed or have contributed to the Fund for the year.

Classification of Transactions

The transactions of the Province of Ontario are presented in summary form according to the four distinct areas of government activity through the Consolidated Revenue Fund.

"Budgetary Transactions" are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the Federal government under fiscal arrangements and shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition or creation of fixed assets.

"Non-Budgetary Transactions" are the lending, investment and trust administration functions which include the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust, reserve, and certain special purpose accounts. "Disbursements" is the term used to describe the lending and investment transactions of the government. "Receipts" consists of the repayment of loans or recovery of investments. "Credits" is the term used to describe payments into deposit, trust, reserve, and special purpose accounts. Payments made from these same accounts are termed "Charges".

"Debt Transactions" are the borrowing and repayment transactions which include obligations issued for both non-public and public sources of funds.

"Ontario Hydro Transactions" relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities and advances the proceeds to Ontario Hydro in exchange for bonds with like terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not a part of the Province's own budget plan, they are classified separately.

Assets and Liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The recorded assets are claims by the Consolidated Revenue Fund on other parties. As indicated in the Notes to the financial statements, under current government policy, the funds required to repay some of the advances and loans included in the recorded assets are effectively provided out of future provincial expenditure appropriations. The liabilities are claims by other parties on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument. Discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario. Other significant commitments and liabilities are disclosed in Notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

STATEMENT OF CONSOLIDATED REVENUE FUND

for the year ended March 31, 1983
($ millions)

	Budget 1983		Actual 1983		Actual 1982	
Opening Balance						
Cash and temporary investments				1,594		1,734
Budgetary Transactions						
Revenue	19,471		19,322		17,884	
Expenditure	22,291		22,509		19,651	
Budgetary deficit		(2,820)		(3,187)		(1,767)
Non-Budgetary Transactions						
Loans, Advances and Investments						
Receipts	311		341		342	
Disbursements	269		181		544	
Net (Increase) Decrease in Loans, Advances and Investments	42		160		(202)	
Trust Administration Functions						
Credits	763		770		660	
Charges	217		221		194	
Net Increase in Trust Administration Functions	546		549		466	
Non-Budgetary Transactions (net)		588		709		264
Net Cash Requirements		(2,232)		(2,478)		(1,503)
Debt Transactions						
Proceeds of Loans	1,948		2,181		1,439	
Retirements of Loans	131		130		76	
Debt Transactions (net)		1,817		2,051		1,363
Ontario Hydro Transactions						
Proceeds of Debentures			600		1,450	
Retirements of Debentures			220		110	
			380		1,340	
Related Advances, Interest and Recoveries			(380)		(1,340)	
Ontario Hydro Transactions (net)						
Closing Balance						
Cash and temporary investments				1,167		1,594

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF BUDGETARY REVENUE

for the year ended March 31, 1983
($ millions)

	Budget 1983	Actual 1983	Actual 1982
Taxation			
Personal Income Tax	5,584	5,858	4,928
Retail Sales Tax	3,677	3,420	2,853
Corporations Tax	1,491	1,361	1,769
Gasoline Tax	931	848	759
Tobacco Tax	428	448	345
Fuel Tax	215	184	172
Land Transfer Tax	125	100	129
Race Tracks Tax	65	65	59
Mining Profits Tax	40	27	56
Succession Duty		11	9
Public Utilities Income Tax		(14)	8
Other	5	4	1
	12,561	12,312	11,088
Other Revenue			
Premiums—Ontario Health Insurance Plan	1,402	1,365	1,179
Profits from Crown Corporations and Boards			
Liquor Control Board of Ontario	530	533	502
Ontario Lottery Corporation	137	117	137
Vehicle registration fees	293	280	296
Liquor Licence Board of Ontario revenues	185	210	170
Other fees and licences	214	195	179
Utility Service Charges	66	84	73
Fines and Penalties	78	76	76
Royalties	70	73	67
Sales and Rentals	73	62	64
Other	107	122	122
	3,155	3,117	2,865
Government of Canada			
Established Programs Financing			
Cash Contribution	1,979	1,894	2,044
Extended Health Care Services	288	288	257
Canada Assistance Plan	681	774	630
National Training Agreement	124	152	124
Other	223	237	253
	3,295	3,345	3,308
Interest on Loans, Advances and Investments	460	548	623
Total Budgetary Revenue	19,471	19,322	17,884

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF BUDGETARY EXPENDITURE

for the year ended March 31, 1983
($ millions)

	Budget 1983	Actual 1983	Actual 1982
Social Development Policy Field			
Health	6,544	6,733	5,776
Education	3,291	3,161	3,045
Community and Social Services	1,970	2,123	1,770
Colleges and Universities	1,860	1,883	1,669
Citizenship and Culture	222	216	160
Social Development Policy	5	5	4
	13,892	14,121	12,424
Resources Development Policy Field			
Transportation and Communications	1,414	1,446	1,323
Municipal Affairs and Housing	1,074	1,024	996
Natural Resources	357	374	353
Agriculture and Food	252	282	273
Environment	246	267	241
Industry and Trade	69	149	65
Energy	66	102	41
Tourism and Recreation	89	90	101
Labour	65	67	59
Resources Development Policy	3	3	3
	3,635	3,804	3,455
Justice Policy Field			
Solicitor General	285	281	248
Attorney General	219	237	207
Correctional Services	185	206	174
Consumer and Commercial Relations	92	107	85
Justice Policy	1	1	1
	782	832	715
General Government			
Revenue	605	612	537
Treasury and Economics	351	401	144
Government Services	365	384	311
Northern Affairs	179	180	169
Office of The Assembly	28	32	35
Management Board of Cabinet	16	14	12
Intergovernmental Affairs	7	7	5
Other	13	12	12
	1,564	1,642	1,225
Public Debt—Interest	2,172	2,110	1,832
Contingency Fund (Note 10)	246		
Total Budgetary Expenditure	22,291	22,509	19,651

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF NON-BUDGETARY TRANSACTIONS

for the year ended March 31, 1983
($ millions)

	Budget 1983	Actual 1983	Actual 1982
Loans, Advances and Investments			
Receipts			
Corporations, boards and commissions			
The Ontario Education Capital Aid Corporation	87	87	82
The Ontario Universities Capital Aid Corporation	32	32	31
Ontario Land Corporation (note 3)	34	67	32
Development Corporations	22	25	31
Ontario Municipal Improvement Corporation	3	3	3
Ontario Housing Corporation		2	4
The Crop Insurance Commission of Ontario	10		5
Other	23	6	5
Water treatment and waste control facilities	70	68	101
Loans to municipalities	15	34	30
Other loans and investments	15	17	18
	311	341	342
Disbursements			
Corporations, boards and commissions			
The Crop Insurance Commission of Ontario		16	
Development Corporations	33	14	36
BILD	20	13	28
Ontario Energy Corporation	62	11	325
Ontario Land Corporation	13	11	15
Ontario Municipal Improvement Corporation	4	6	
Ontario Housing Corporation	4	4	4
Other		1	4
Water treatment and waste control facilities	100	72	100
Loans to municipalities	30	33	32
Other loans and investments	3		
	269	181	544
Net (Increase) Decrease in Loans, Advances and Investments	42	160	(202)
Trust Administration Functions			
Credits			
Pension funds	494	489	418
Deposit, trust and reserve accounts	241	261	211
The Province of Ontario Savings Office Deposits—net increase	28	20	31
	763	770	660
Charges			
Pension funds	119	110	101
Deposit, trust and reserve accounts	98	111	93
	217	221	194
Net Increase in Trust Administration Functions	546	549	466
Total Non-Budgetary Transactions	588	709	264

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF DEBT TRANSACTIONS

for the year ended March 31, 1983
($ millions)

	Budget 1983	Actual 1983	Actual 1982
Proceeds of Loans			
Non-public			
Canada Pension Plan Investment Fund	1,200	1,236	769
Teachers' Superannuation Fund	748	945	670
Total Proceeds of Loans	1,948	2,181	1,439
Retirements of Loans			
Non-public	84	84	14
Public			
For general purposes	47	46	62
Total Retirements of Loans	131	130	76
Debt Transactions (net)	1,817	2,051	1,363

STATEMENT OF ONTARIO HYDRO TRANSACTIONS

for the year ended March 31, 1983
($ millions)

	1983	1982
Proceeds of debentures (public)	600	950
(non-public)		500
Retirements of debentures (public)	(220)	(110)
Net increase in debentures for Ontario Hydro purposes	380	1,340
Related advances, interest and recoveries		
Loans to Ontario Hydro	600	1,450
Interest on debentures	617	421
Recovery of interest and debenture retirements	(837)	(531)
Related advances, interest and recoveries (net)	380	1,340

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1983
($ millions)

	1983	1982
Assets		
Cash and temporary investments (Note 1)	1,167	1,594
Advances to Ontario Hydro, secured by bonds (Note 2)	5,910	5,530
Advances and investments—other corporations, boards and commissions (Note 3)	4,203	4,349
Investments in water treatment and waste control facilities (at cost less recoveries) (Note 4)	1,119	1,115
Loans to municipalities	368	369
Other loans and investments (Note 5)	177	194
Total recorded assets	12,944	13,151
Net debt	16,942	13,755
	29,886	26,906
Liabilities		
Deposits with the Province of Ontario Savings Office	674	654
Pension funds (Note 6)	2,787	2,407
Deposit, trust and reserve accounts	872	723
Debentures and notes (Note 7)	25,553	23,122
	29,886	26,906
Contingent liabilities (Note 8)	10,823	8,964

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

Approved on behalf of the Ministry of Treasury and Economics:

T. CAMPBELL, Deputy Treasurer of Ontario and Deputy Minister of Economics

G. McINTYRE, F.C.A., Assistant Deputy Minister, Office of the Treasury

NOTES TO THE FINANCIAL STATEMENTS
(all figures in millions of dollars)

1. Cash and Temporary Investments

Temporary investments consist mainly of short-term securities issued or guaranteed by Canadian chartered banks and are recorded at cost. Also included are $55 million (1982 $53 million) of debentures and bonds issued or guaranteed by the Province, which at March 31, 1983 had a market value of $50 million (1982 $40 million).

2. Advances to Ontario Hydro

The Province has advanced funds to Ontario Hydro, secured by bonds with like terms and conditions to the securities issued by the Province on behalf of Ontario Hydro. The bonds consist of $4,910 million (1982 $4,530 million) in U.S. dollars, recorded at par, and $1,000 million (1982 $1,000 million) in Canadian dollars with respect to Canada Pension Plan funds. At March 31, 1983, the Canadian dollar equivalent of the U.S. dollar bonds was $6,058 million (1982 $5,573 million).

3. Advances and Investments—Other Corporations, Boards and Commissions

	1983	1982
The Ontario Universities Capital Aid Corporation	$1,082	$1,113
The Ontario Education Capital Aid Corporation	1,026	1,114
Ontario Land Corporation	1,012	1,068
Ontario Energy Corporation	351	341
Development Corporations	274	272
Ontario Housing Corporation	192	190
Other	266	251
	$4,203	$4,349

The Ontario Universities Capital Aid Corporation received advances from the Province until March 31, 1978 to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants from the Province to the institutions. During the fiscal year ending March 31, 1983, $111 million (1982 $112 million) was included in these grants from the Province to cover the amounts of principal and interest due to the Corporation from institutions other than municipalities. The Corporation has continued to administer the repayment of outstanding loans.

The Ontario Education Capital Aid Corporation received advances from the Province until March 31, 1980 to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. However under support arrangements for the repayment of advances, the Province has given grants, currently averaging 75% of approved debt charges, to local school boards. The Corporation has continued to administer loan repayments, although since April 1, 1980, no new advances have been made. The loan program has been replaced by direct grants to school boards from the Ministry of Education.

The Ontario Land Corporation assumed the assets and liabilities of the Ontario Mortgage Corporation during 1982. Of the total advances outstanding, $502 million (1982 $519 million) relates to Ontario Land Corporation. $398 million (1982 $402 million) of this amount was used to finance land holdings and is non-interest bearing. The balance of advances outstanding, $510 million (1982 $549 million), has been used to provide primary and secondary mortgage financing for eligible persons.

The Ontario Energy Corporation was established to invest and participate in energy

related projects. The Province has made loans to and investments in the Corporation, including a $325 million non-interest bearing demand loan advanced in 1981 to finance the purchase of one-half of approximately 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of the Ontario Energy Corporation.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has purchased an equity of $7 million and has advanced all funding for the lending programs of the Corporations. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs: of all administrative expenses, of loans made at low interest rates, of certain loan forgiveness, of honouring guarantees, and of loan and loss write-offs. In 1983 these transfers amounted to $34 million (1982 $31 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation. Assisted housing and rent supplement operations are subsidized under a cost sharing arrangement between the Province and the Canada Mortgage and Housing Corporation. The Province's share of the subsidy for the 1982 calendar year was $142 million (1981 $139 million).

4. Investments in Water Treatment and Waste Control Facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities. Agreements covering $1,031 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods of up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds, which are included in deposit, trust and reserve accounts, was $52 million at March 31, 1983 (1982 $46 million). Since 1978-79, the Province has changed its policy and is phasing out investments in favour of assisting municipalities by direct grants.

5. Other Loans and Investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to $164 million (1982 $181 million). During the current fiscal year, the Province made grants of $14 million (1982 $16 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension Funds

	1983	1982
Public Service Superannuation Fund	$2,764	$2,387
Legislative Assembly Retirement Allowances Account	23	20
	$2,787	$2,407

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on the latest actuarial report as at December 31, 1979, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of $83 million, upon which an interest contribution of $7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of $233.5 million which are required to be amortized by annual payments of $33 million until January 1, 1990 and $32 million on January 1, 1991 and 1992.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1983, published June 13, 1983, revealed a deficit of $617 thousand.

As at March 31, 1983, the Province had made all scheduled payments.

7. Debentures and Notes

Years of Maturity March 31	1983 Payable in Canadian Dollars	United States Dollars	Deutsche Marks	Total	1982 Total
1983	$	$	$	$	$ 254
1984	252	81	7	340	340
1985	103		3	106	106
1986	212	100	3	315	315
1987	343		3	346	346
1988	773	200	3	976	
1-5 years	1,683	381	19	2,083	1,361
6-10 years	2,862	637		3,499	3,082
11-15 years	5,273	144		5,417	5,069
16-20 years	8,662	540		9,202	8,410
21-25 years	1,969	1,526		3,495	3,061
26-30 years	62	1,699		1,761	2,029
31-35 years	74			74	73
36-40 years	22			22	37
	$20,607	$4,927	$ 19	$25,553	$23,122

The U.S. dollar debenture liability of $4,927 million (1982 $4,548 million) is recorded at par with the Canadian dollar and except for $17 million (1982 $18 million), has been incurred on behalf of Ontario Hydro. At March 31, 1983 the Canadian dollar equivalent was $6,080 million (1982 $5,595 million). As explained in note 2, the Province holds an asset of U.S. dollar bonds of Ontario Hydro recorded at a par value of $4,910 million (1982 $4,530 million). These bonds with like terms and conditions to the securities issued by the Province, had a Canadian dollar equivalent as at March 31, 1983 of $6,058 million (1982 $5,573 million).

The Province has borrowings of 65 million (1982 89 million) Deutsche Marks recorded at $19 million (1982 $26 million), the Canadian dollar equivalent at the time of issue. At March 31, 1983 the Canadian dollar equivalent was $33 million (1982 $45 million).

8. Contingent Liabilities

The Province is guarantor of certain obligations as follows:

	1983	1982
Debentures, bonds and notes		
Ontario Hydro	$10,238	$8,453
Other Provincial crown agencies	5	5
	10,243	8,458
Bank loans guaranteed		
Corporations and individuals through various government programs	220	128
Other guarantees		
Corporations	360	378
	$10,823	$8,964

9. Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education, the Province makes annual payments on account of the matching employer's share of teachers' contributions to the Teachers' Superannuation Fund. Further, the Province is committed to paying any deficiency in the Fund. The Fund is administered by the Teachers' Superannuation Commission.

Based on the latest actuarial report as at December 31, 1981, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of $328 million upon which an interest contribution of $23 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of $105 million which are required to be amortized by annual payments of $16 million until December 31, 1990.

As at March 31, 1983 the Province had made all scheduled payments.

10. Budget Figures

The comparative budget figures in the financial statements are from the 1982 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 13, 1982.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure represents a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions when paid, however, are charged to each ministry's appropriations.

The Short-Term Job Creation budget figure of $171 million and the Ontario Renter-Buy budget figure of $75 million have been allocated to the Ministries of Treasury and Economics and Municipal Affairs and Housing respectively in the Statement of Budgetary Expenditure.

11. Comparative Figures

The 1982 comparative figures have been reclassified where necessary to conform with the 1983 financial statement presentation.

PROVINCIAL AUDITOR'S OPINION

I have examined the statement of assets and liabilities of the Province of Ontario as at March 31, 1983 and the statements of consolidated revenue fund, budgetary revenue, budgetary expenditure, non-budgetary transactions, debt transactions and Ontario Hydro transactions for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Province as at March 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with the stated accounting policies set out in the Summary of Significant Accounting Policies on page 1-2 of Volume 1 of the Public Accounts, which have been applied on a basis consistent with that of the preceding year.

In accordance with section 12 of the Audit Act, a report will be made to the Speaker of the Legislative Assembly.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, September 2, 1983.

EXHIBIT 3

MANAGEMENT BOARD ORDERS

Amounts Authorized and Expended Thereunder
Year Ended March 31, 1983

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Agriculture and Food		
	Ministry Administration Program		
Mar. 22, 1983	Main Office	381,800	314,259
Feb. 22, 1983	Financial and Office Services	280,000	280,000
Mar. 22, 1983	Financial and Office Services	204,000	185,943
Feb. 22, 1983	Personnel Services	63,000	59,036
Feb. 22, 1983	Information Services	290,000	290,000
Mar. 22, 1983	Information Services	187,000	187,000
Apr. 12, 1983	Information Services	52,000	18,649
Feb. 22, 1983	Policies and Priorities	195,000	195,000
Mar. 22, 1983	Policies and Priorities	170,700	111,095
Feb. 22, 1983	Legal Services	30,000	30,000
Mar. 22, 1983	Legal Services	22,800	4,331
Mar. 22, 1983	Experience '82	4,100	—
	Agricultural Marketing and Industry Development Program		
Mar. 22, 1983	Marketing	535,000	344,224
Feb. 22, 1983	Quality Standards	880,000	880,000
Mar. 22, 1983	Quality Standards	1,104,100	1,012,734
Apr. 5, 1983	Financial Assistance to Agriculture	28,767,000	24,829,675
	Agricultural Technology and Field Services Program		
Mar. 22, 1983	Education	788,600	574,769
Feb. 22, 1983	Research	370,000	370,000
Mar. 22, 1983	Research	1,351,000	1,080,299
Feb. 22, 1983	Advisory Services	1,595,000	1,595,000
Mar. 22, 1983	Advisory Services	2,181,200	2,181,200
Apr. 12, 1983	Advisory Services	92,000	6,114
		39,544,300	34,549,328
	Ministry of the Attorney General		
	Law Officer of the Crown Program		
Apr. 12, 1983	Attorney General	32,000	30,183
Mar. 1, 1983	Deputy Attorney General	34,000	34,000
Apr. 12, 1983	Deputy Attorney General	22,000	17,113
Mar. 1, 1983	Law Research (Ontario Law Reform Commission)	35,000	28,373
Apr. 12, 1983	Royal Commissions	190,000	—
	Administrative Services Program		
Mar. 1, 1983	Main Office	5,670,000	5,607,968
Mar. 1, 1983	Financial Services	150,000	119,004

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of the Attorney General (cont'd)		
Mar. 1, 1983	Personnel Services	60,000	59,929
Apr. 12, 1983	Information Services	98,000	94,012
Mar. 1, 1983	Analysis and Planning	120,000	120,000
Apr. 12, 1983	Analysis and Planning	13,000	6,982
Apr. 12, 1983	Audit Services	27,000	26,240
	Guardian and Trustee Services Program		
Mar. 1, 1983	Official Guardian	318,000	318,000
Apr. 12, 1983	Official Guardian	35,000	34,953
Mar. 1, 1983	Public Trustee	252,000	231,023
Mar. 1, 1983	Supreme Court Accountant	10,000	10,000
Apr. 12, 1983	Supreme Court Accountant	5,000	4,987
	Crown Legal Services Program		
Mar. 1, 1983	Criminal Law Division	1,670,000	1,436,870
Mar. 1, 1983	Civil Law Division	40,000	40,000
Apr. 12, 1983	Civil Law Division	10,000	6,382
	Courts Administration Program		
Mar. 1, 1983	Program Administration	170,000	170,000
Apr. 12, 1983	Program Administration	440,000	436,348
Mar. 1, 1983	Supreme Court of Ontario	535,000	535,000
Apr. 12, 1983	Supreme Court of Ontario	140,000	136,149
Mar. 1, 1983	County and District Courts	3,810,000	3,810,000
Apr. 12, 1983	County and District Courts	190,000	185,314
Mar. 1, 1983	Small Claims Courts	110,000	110,000
Apr. 12, 1983	Small Claims Courts	170,000	169,967
Mar. 1, 1983	Provincial Courts	4,940,000	4,845,396
	Administrative Tribunals Program		
Mar. 1, 1983	Assessment Review Court	120,000	120,000
Apr. 12, 1983	Assessment Review Court	23,000	22,628
Sept. 14, 1982	The Metropolitan Police Force Complaints Project	270,000	270,000
Mar. 1, 1983	The Metropolitan Police Force Complaints Project	90,000	87,069
Apr. 12, 1983	The Metropolitan Police Force Complaints Project	15,000	—
		19,814,000	19,123,890
	Cabinet Office		
	Cabinet Office Program		
Apr. 12, 1983	Main Office	101,200	79,161
Apr. 12, 1983	Government House Leader	3,000	—
		104,200	79,161

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Citizenship and Culture		
	Ministry Administration Program		
Feb. 1, 1983	Main Office	329,100	248,233
Mar. 22, 1983	Financial Services	96,100	92,431
Mar. 1, 1983	Information Services	215,900	215,900
Mar. 22, 1983	Information Services	18,300	4,424
Mar. 1, 1983	Legal Services	24,800	17,013
Apr. 12, 1983	Audit Services	13,300	—
Oct. 26, 1982	Community Programs	527,500	527,500
Mar. 22, 1983	Community Programs	117,400	95,811
Apr. 12, 1983	Experience '82	12,500	—
	Heritage Conservation Program		
Mar. 1, 1983	Archives	164,400	142,956
	Arts Support Program		
Mar. 22, 1983	Cultural Development and Institutions	965,900	858,969
Mar. 22, 1983	Ontario Science Centre	1,150,200	1,138,606
	Citizenship and Multicultural Support Program		
Mar. 22, 1983	Special Services for Native Peoples	20,300	—
		3,655,700	3,341,843
	Ministry of Colleges and Universities		
	University Support Program		
Apr. 12, 1983	Teacher Education	50,000	30,186
	College Support Program		
Apr. 5, 1983	Ontario Council of Regents	60,300	57,241
	Skills Development Program		
Mar. 1, 1983	Skills Development	19,400,000	19,400,000
Mar. 22, 1983	Skills Development	13,236,200	12,212,154
Mar. 22, 1983	Schools for Nursing Assistants	164,000	155,218
		32,910,500	31,854,799
	Ministry of Community and Social Services		
	Ministry Administration Program		
Mar. 22, 1983	Main Office	89,100	52,216
Apr. 5, 1983	Financial Services	314,300	18,574
Mar. 22, 1983	Supply and Office Services	468,700	401,509
Mar. 15, 1983	Personnel Services	290,800	226,539
Mar. 1, 1983	Information Services	98,100	75,159
Mar. 22, 1983	Legal Services	51,500	48,282
Mar. 15, 1983	Audit Services	132,500	111,965
Apr. 5, 1983	Systems Development Services	514,000	234,840
Mar. 15, 1983	Social Assistance Review Board	208,300	207,175

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Community and Social Services (cont'd)		
	Adults' and Children's Services Program		
Apr. 5, 1983	Income Maintenance	22,719,200	22,426,244
Apr. 5, 1983	Adults' Social Services	13,990,700	13,239,989
Apr. 5, 1983	Children's Social Services	4,982,600	4,590,324
Apr. 5, 1983	Developmental Services — Adults and Children	16,124,500	15,041,048
		59,984,300	56,673,864
	Ministry of Consumer and Commercial Relations		
	Ministry Administration Program		
Mar. 22, 1983	Financial Services	183,900	178,959
Feb. 15, 1983	Supplies and Office Services	234,900	234,429
Mar. 22, 1983	Personnel Services	90,300	87,515
Mar. 22, 1983	Information Services	51,700	50,765
	Commercial Standards Program		
Feb. 8, 1983	Securities	1,273,800	1,271,792
Mar. 22, 1983	Pension Plans	47,600	47,259
Feb. 15, 1983	Financial Institutions	750,000	750,000
Mar. 15, 1983	Financial Institutions	7,039,600	6,107,869
Mar. 22, 1983	Companies	13,200	—
Mar. 22, 1983	Business Practices	679,000	677,461
	Technical Standards Program		
Mar. 22, 1983	Program Administration	241,800	240,725
Mar. 22, 1983	Pressure Vessels Safety	180,600	179,618
Mar. 22, 1983	Elevating Devices	141,200	140,672
Mar. 22, 1983	Fuels Safety	295,500	294,650
Mar. 22, 1983	Upholstered and Stuffed Articles	24,400	22,559
	Public Entertainment Standards Program		
Mar. 22, 1983	Regulation of Horse Racing	35,300	28,585
	Property Rights Program		
Mar. 22, 1983	Program Administration	294,000	293,920
Mar. 22, 1983	Real Property Registration	1,274,600	1,274,512
Mar. 22, 1983	Legal and Survey Standards	51,200	50,812
Mar. 22, 1983	Personal Property Registration	580,200	545,647
	Registrar General Program		
Mar. 22, 1983	Registrar General	394,100	393,982
	Liquor Licence Board		
Mar. 22, 1983	Liquor Licence Board of Ontario	1,505,200	1,505,042
		15,382,100	14,376,773

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Correctional Services		
	Ministry Administration Program		
Mar. 1, 1983	Main Office	32,100	256
Mar. 1, 1983	Financial Services	109,300	94,546
Mar. 1, 1983	Supply and Office Services	89,400	66,838
Mar. 1, 1983	Personnel Services	107,500	106,223
Mar. 1, 1983	Information Services	19,600	18,237
	Institutional Program		
Mar. 1, 1983	Care, Treatment and Training	20,107,200	19,262,858
Mar. 1, 1983	Institutional Program Support Services	111,700	99,871
Mar. 1, 1983	Institutional Staff Training	40,300	29,992
	Community Program		
Mar. 1, 1983	Probation and Parole Services	2,193,700	2,135,744
Mar. 1, 1983	Ontario Board of Parole Services	108,500	94,685
		22,919,300	21,909,250
	Ministry of Education		
	Ministry Administration Program		
Feb. 22, 1983	Main Office	290,100	115,172
Mar. 8, 1983	Supply and Office Services	252,700	113,144
Apr. 12, 1983	Information Services	430,000	417,137
Apr. 12, 1983	Legal Services	13,400	11,870
Mar. 8, 1983	Audit Services	51,300	47,881
Feb. 22, 1983	Systems Development Services	866,300	803,536
	Education Program		
Mar. 8, 1983	Schools for the Blind and Deaf	2,374,300	2,364,294
Apr. 12, 1983	Educational Programs in the Training Schools	70,000	38,108
Mar. 8, 1983	Schools for the Learning Disabled	464,200	415,055
Apr. 12, 1983	Correspondence Education	550,000	543,190
Mar. 8, 1983	Regional Offices	1,928,000	1,678,234
	Services to Education Program		
Mar. 1, 1983	Education Relations Commission	145,300	115,407
		7,435,600	6,663,028
	Ministry of Energy		
	Ministry Administration Program		
Dec. 21, 1982	Administrative Services	700,000	676,311
Dec. 21, 1982	Experience '82	6,000	6,000
Mar. 22, 1983	Experience '82	1,000	851
Mar. 22, 1983	Information Services	15,000	14,341

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Energy (cont'd)		
	Regulatory Affairs Program		
Apr. 12, 1983	Natural Gas Regulation	130,000	80,697
		852,000	778,200
	Ministry of the Environment		
	Ministry Administration Program		
Dec. 21, 1982	Main Office	50,000	50,000
Mar. 15, 1983	Main Office	76,700	76,700
Mar. 22, 1983	Main Office	170,000	121,002
Mar. 15, 1983	Capital Financing and Revenue	85,100	83,257
Mar. 22, 1983	Capital Financing and Revenue	30,000	—
Mar. 15, 1983	Financial Services	43,500	—
Mar. 15, 1983	Supply and Office Services	154,100	120,740
Mar. 22, 1983	Supply and Office Services	15,000	—
Mar. 15, 1983	Personnel Services	129,500	—
Dec. 21, 1982	Information Services	37,500	—
Mar. 15, 1983	Information Services	79,100	—
Mar. 22, 1983	Information Services	10,000	—
Mar. 15, 1983	Analysis and Planning	64,600	—
Mar. 15, 1983	Legal Services	2,400	—
Mar. 15, 1983	Audit Services	56,800	41,736
	Environmental Assessment and Planning Program		
Mar. 15, 1983	Program Administration	202,200	—
Mar. 15, 1983	Air Resources	319,200	—
Mar. 22, 1983	Air Resources	300,000	—
Mar. 15, 1983	Water Resources	590,100	253,748
Mar. 22, 1983	Water Resources	85,500	—
Mar. 15, 1983	Pollution Control Planning	300,000	66,432
Mar. 15, 1983	Environmental Approvals and Land Use	343,600	—
Mar. 22, 1983	Environmental Approvals and Land Use	235,000	—
Mar. 15, 1983	Environmental Assessment Board	54,700	—
	Environmental Control Program		
Mar. 15, 1983	Program Administration	176,100	164,179
Mar. 22, 1983	Program Administration	88,100	—
Mar. 15, 1983	Industrial Abatement	736,700	620,393
Mar. 22, 1983	Industrial Abatement	346,600	—
Mar. 15, 1983	Municipal and Private Abatement	521,000	481,480
Mar. 22, 1983	Municipal and Private Abatement	137,500	—
Mar. 15, 1983	Plant Development and Construction	126,900	—
Mar. 15, 1983	Plant Operations	2,167,300	1,847,825
Mar. 15, 1983	Laboratory and Technical Support	1,580,000	1,580,000
Mar. 22, 1983	Laboratory and Technical Support	620,000	598,504
	Waste Management Program		
Mar. 15, 1983	Waste Utilization	87,500	—
Mar. 15, 1983	Waste Systems Planning	47,200	—

Date of Order	Ministry Program and Activity	Authorized	Expended
	Ministry of the Environment (cont'd)	$	$
Mar. 22, 1983	Waste Systems Planning	590,000	—
Mar. 15, 1983	Hearing Panel on Industrial Waste Management	2,800	—
		10,662,300	6,105,996
	Ministry of Government Services		
	Ministry Administration Program		
Apr. 5, 1983	Main Office	54,800	52,977
Apr. 5, 1983	Personnel Services	43,500	—
Feb. 22, 1983	Legal Services	72,100	64,435
Apr. 5, 1983	Systems Development Services	38,600	37,393
	Provision of Accommodation Program		
Apr. 5, 1983	Program Administration	32,500	29,040
Jan. 18, 1983	Leasing	6,423,200	6,423,200
Feb. 22, 1983	Leasing	1,300,000	1,300,000
Apr. 5, 1983	Leasing	1,042,700	1,025,370
Feb. 22, 1983	Advisory Services	109,400	64,280
Apr. 5, 1983	Lease — Purchase	10,000	6,056
Feb. 22, 1983	Accommodation Alterations	152,000	152,000
Apr. 5, 1983	Accommodation Alterations	75,000	73,581
	Real Property Program		
Feb. 22, 1983	Program Administration	137,300	122,739
Mar. 8, 1983	Real Property Acquisition	7,000,000	6,768,840
Apr. 5, 1983	Real Property Management	47,700	—
	Upkeep of Accommodation Program		
Apr. 5, 1983	Program Administration	158,100	152,451
Apr. 5, 1983	Repairs, Operation and Maintenance	3,461,200	2,907,136
Apr. 5, 1983	Legislative Services	155,700	114,207
	Supply and Services Program		
Apr. 5, 1983	Purchasing Services	129,500	48,351
Apr. 5, 1983	Publications and Printing Services	497,700	492,537
Apr. 5, 1983	Collection Services	196,400	109,208
Apr. 5, 1983	Government Mail Services	74,900	—
Feb. 22, 1983	Records Centre	57,700	42,442
Apr. 5, 1983	Citizens' Inquiry	42,100	9,742
Apr. 5, 1983	Translation Bureau	174,600	84,995
Apr. 5, 1983	Government Payments	72,100	—
Apr. 5, 1983	Insurance and Risk Management	16,500	—
Apr. 5, 1983	Employee Health Services	110,000	89,794
Apr. 5, 1983	Employee Data Services	259,700	258,718
Apr. 5, 1983	Employee Advisory Services	48,900	35,015
Apr. 5, 1983	Acturial Services	17,500	—

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Government Services (cont'd)		
	Communication and Computer Services Program		
Feb. 22, 1983	Telecommunications	1,836,500	1,823,398
		23,847,900	22,287,905
	Ministry of Health		
	Ministry Administration Program		
Mar. 22, 1983	Main Office	653,000	649,022
Apr. 5, 1983	Financial Services	309,400	309,366
Apr. 5, 1983	Supply and Office Services	439,700	427,940
Apr. 5, 1983	Personnel Services	285,900	275,228
Apr. 5, 1983	Analysis and Planning	55,200	51,489
Apr. 5, 1983	Legal Services	40,400	37,173
Apr. 5, 1983	Audit Services	131,600	128,358
Apr. 12, 1983	Systems Development Services	76,000	70,812
	Institutional Health Program		
Apr. 12, 1983	Program Administration	13,000	6,709
Apr. 12, 1983	Emergency Health Services	710,000	626,163
Mar. 22, 1983	Laboratory Services	1,908,600	1,903,228
	Public and Mental Health Program		
Apr. 5, 1983	Program Administration	15,400	12,994
Apr. 5, 1983	Mental Health	35,030,800	34,685,502
	Health Insurance Program		
Apr. 12, 1983	Health Insurance and Benefits	72,053,000	72,034,071
		111,722,000	111,218,055
	Ministry of Industry and Trade		
	Ministry Administration Program		
Mar. 8, 1983	Main Office	288,000	287,951
Apr. 12, 1983	Financial Services	70,000	69,967
Apr. 12, 1983	Supply and Office Services	75,000	74,819
Apr. 12, 1983	Personnel Services	45,000	44,822
Jan. 18, 1983	Information Services	1,000,000	1,000,000
Apr. 12, 1983	Information Services	170,000	169,974
Apr. 12, 1983	Audit Services	2,000	1,894
Mar. 8, 1983	Analysis and Planning	134,000	133,903
Mar. 8, 1983	Technology Centres Co-ordination	255,000	251,848
Mar. 8, 1983	Legal Services	96,000	96,000
Apr. 12, 1983	Legal Services	40,000	39,460
	Industry Division Program		
Apr. 12, 1983	Program Administration	5,000	4,919
Apr. 12, 1983	Industrial Policy and Analysis	24,000	23,936
Apr. 12, 1983	Small Business and Field Services	190,000	189,416

Date of Order	Ministry Program and Activity	Authorized	Expended
	Ministry of Industry and Trade (cont'd)	$	$
Apr. 12, 1983	Investment Opportunities	128,000	127,946
Apr. 12, 1983	Energy Projects	12,000	6,516
Mar. 8, 1983	Ontario Research Foundation	500,000	500,000
Apr. 12, 1983	Ontario Research Foundation	210,000	210,000
	Trade Division Program		
Apr. 12, 1983	International Trade and Investment	370,000	369,786
Apr. 12, 1983	International Offices	244,000	235,288
	Industrial Incentives and Development Program		
June 14, 1983	Ontario Development Corporation	2,450,000	2,449,478
		6,308,000	6,287,923
	Ministry of Intergovernmental Affairs		
	Intergovernmental Relations Program		
Dec. 7, 1982	Protocol Services	130,000	130,000
Jan. 25, 1983	Protocol Services	74,000	74,000
Mar. 15, 1983	Protocol Services	23,900	23,428
	French Language Services and Franco-Ontarian Affairs Program		
Mar. 15, 1983	French Language Services Co-ordination	296,100	291,039
		524,000	518,467
	Justice Policy		
	Justice Policy Program		
May. 24, 1983	Justice Policy	313,200	312,170
	Ministry of Labour		
	Ministry Administration Program		
Feb. 1, 1983	Main Office	173,600	173,600
Apr. 12, 1983	Main Office	135,500	134,979
Feb. 1, 1983	Financial Services	28,600	28,600
Apr. 12, 1983	Financial Services	10,000	6,580
Feb. 1, 1983	Supply and Office Services	260,400	260,400
Apr. 12, 1983	Supply and Office Services	48,600	41,258
Apr. 12, 1983	Personnel Services	80,200	74,405
Feb. 1, 1983	Information Services	60,300	56,968
Feb. 1, 1983	Analysis and Planning	467,300	467,300
Apr. 12, 1983	Analysis and Planning	125,100	122,757
Feb. 1, 1983	Legal Services	29,200	19,878
Feb. 1, 1983	Systems Development Services	267,900	191,766

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Labour (cont'd)		
	Industrial Relations Program		
Feb. 1, 1983	Conciliation and Mediation Services	22,200	—
Feb. 1, 1983	Office of Arbitration	173,300	52,417
	Women's Program		
Feb. 1, 1983	Women's Bureau	85,800	85,800
Apr. 12, 1983	Women's Bureau	22,200	21,595
	Occupational Health and Safety Program		
Feb. 1, 1983	Construction Health and Safety	250,800	239,134
Feb. 1, 1983	Industrial Health and Safety	425,400	425,400
Apr. 12, 1983	Industrial Health and Safety	31,000	30,158
	Employment Standards Program		
Feb. 1, 1983	Employment Standards	260,000	260,000
Apr. 12, 1983	Employment Standards	100,000	97,186
Feb. 1, 1983	Plant Closure and Review	251,400	32,864
	Manpower Commission Program		
Apr. 12, 1983	Manpower Commission	59,900	58,593
	Human Rights Commission Program		
Feb. 1, 1983	Human Rights Commission	93,300	93,300
Apr. 12, 1983	Human Rights Commission	65,300	62,925
	Labour Relations Board Program		
Feb. 1, 1983	Labour Relations Board	211,800	211,800
Apr. 12, 1983	Labour Relations Board	31,000	29,660
		3,770,100	3,279,323
	Office of the Lieutenant Governor		
	Office of the Lieutenant Governor Program		
Dec. 14, 1982	Office of the Lieutenant Governor	111,400	105,808
	Management Board of Cabinet		
	Ministry Administration Program		
Apr. 12, 1983	Main Office	214,000	17,541
	Policy Development and Analysis Program		
Apr. 12, 1983	Compensation	55,000	—
Apr. 12, 1983	Programs and Estimates	70,000	7,807
	Personnel Audit Program		
Apr. 12, 1983	Personnel Audit	18,000	—
	Employee Relations Program		
Mar. 1, 1983	Public Service Appeal Boards	170,000	149,890
	Government Personnel Services Program		
Apr. 12, 1983	Temporary Help Services	25,000	1,003
Apr. 12, 1983	Staff Development Centre	60,000	54,503
		612,000	230,744

Date of Order	Ministry Program and Activity	Authorized	Expended
	Ministry of Municipal Affairs and Housing	$	$
	Ministry Administration Program		
Apr. 5, 1983	Main Office	270,100	232,123
Apr. 5, 1983	Financial Services	68,400	63,357
Apr. 12, 1983	Information Services	524,800	509,988
	Community Planning Program		
Apr. 5, 1983	Community Planning Advisory Services	46,400	—
	Land Development Program		
Apr. 5, 1983	Program Administration	47,700	46,693
Apr. 5, 1983	Land Operations	42,100	25,694
Apr. 5, 1983	Planning and Development	61,300	31,811
	Community Development Program		
Apr. 5, 1983	Technical Services	163,500	125,574
	Ontario Mortgage Program		
Mar. 8, 1983	Mortgage Administration	2,594,800	2,437,957
		3,819,100	3,473,197
	Ministry of Natural Resources		
	Ministry Administration Program		
Mar. 8, 1983	Main Office	123,700	113,659
Mar. 8, 1983	Financial Services	201,500	194,039
Mar. 8, 1983	Supply and Office Services	21,300	—
Feb. 22, 1983	Personnel Services	248,800	228,489
Aug. 13, 1982	Information Services	1,503,700	1,503,700
Feb. 22, 1983	Information Services	651,600	641,634
Mar. 8, 1983	Legal Services	153,800	134,483
Feb. 22, 1983	Field Administration	2,670,400	2,648,780
	Lands and Waters Program		
Mar. 22, 1983	Conservation Authorities and Water Management	5,494,000	5,323,906
Mar. 22, 1983	Aviation and Fire Management	3,425,500	3,423,851
Aug. 13, 1982	Extra Fire Fighting	1,000,000	981,330
Mar. 22, 1983	Land Management	5,602,500	5,460,472
Mar. 22, 1983	Surveys and Mapping	1,175,800	1,060,693
	Outdoor Recreation Program		
Mar. 22, 1983	Fish and Wildlife	1,115,700	1,092,737
	Resource Products Program		
June 14, 1983	Mineral Management	271,900	271,882
	Resource Experience Program		
Dec. 14, 1982	Junior Rangers	101,700	68,730
Mar. 8, 1983	Experience '82	18,700	—
Feb. 22, 1983	Leslie M. Frost Natural Resources Centre	145,400	109,387
		23,926,000	23,257,772

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Northern Affairs		
	Ministry Administration Program		
Mar. 1, 1983	Main Office	24,700	—
Mar. 1, 1983	Information Services	55,500	51,453
	Northern Economic Development Program		
Mar. 1, 1983	Program Administration	135,300	135,300
Apr. 12, 1983	Program Administration	67,000	60,891
	Northern Transportation Program		
Mar. 15, 1983	Northern Roads	715,000	669,075
Mar. 15, 1983	Air Services	813,700	813,677
Mar. 15, 1983	Rail and Ferry Services	223,600	223,576
	Northern Community Services and Development Program		
Mar. 1, 1983	Community Services	290,200	183,407
Mar. 22, 1983	Community Infrastructure	3,165,000	3,165,000
Apr. 12, 1983	Community Infrastructure	933,000	794,395
Apr. 12, 1983	Community Development	968,000	960,420
		7,391,000	7,057,194
	Office of the Premier		
	Office of the Premier Program		
Apr. 12, 1983	Office of the Premier	128,000	111,101
	Ministry of Revenue		
	Ministry Administration Program		
Apr. 12, 1983	Legal Services	10,000	6,663
Mar. 1, 1983	Audit Services	51,900	51,900
Apr. 12, 1983	Audit Services	40,000	29,438
Apr. 12, 1983	Financial Services	84,900	72,346
Mar. 1, 1983	Supply and Office Services	97,700	97,700
Apr. 12, 1983	Supply and Office Services	20,000	17,921
Apr. 12, 1983	Personnel Services	17,200	4,250
Feb. 1, 1983	Communications Services	28,700	28,700
Mar. 22, 1983	Communications Services	17,900	16,723
Mar. 22, 1983	Systems Development Services	346,000	176,817
Apr. 12, 1983	Systems Development Services	55,000	—
	Tax Revenue Program		
Apr. 12, 1983	Administration	17,200	—
Apr. 12, 1983	Tax Appeals	77,100	52,406
Mar. 22, 1983	Special Investigations	84,600	79,921
Apr. 12, 1983	Taxpayer Services	3,400	—
Feb. 22, 1983	Corporations Tax and Other Taxes	1,338,300	1,223,651
Apr. 12, 1983	Corporations Tax and Other Taxes	100,100	—
Jan. 18, 1983	Motor Fuels and Other Taxes	6,000,000	6,000,000
Mar. 22, 1983	Motor Fuels and Other Taxes	2,000,000	2,000,000

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Revenue (cont'd)		
Apr. 12, 1983	Motor Fuels and Other Taxes	817,200	625,703
Feb. 22, 1983	Retail Sales Tax and Other Taxes	3,074,200	3,074,200
Apr. 12, 1983	Retail Sales Tax and Other Taxes	543,500	534,478
	Property Assessment Program		
Mar. 22, 1983	Administration	15,200	13,308
Apr. 12, 1983	Policies and Priorities	45,100	36,406
Mar. 22, 1983	Assessment Field Operations	5,960,700	5,960,700
Apr. 12, 1983	Assessment Field Operations	1,340,600	1,333,747
Mar. 22, 1983	Special Properties	60,000	54,994
Apr. 12, 1983	Data Services and Development	32,000	26,452
		22,278,500	21,518,424
	Social Development Policy		
	Social Development Policy Program		
Apr. 12, 1983	Social Development Policy	350,000	301,819
Apr. 12, 1983	Social Development Councils	10,500	10,207
		360,500	312,026
	Ministry of the Solicitor General		
	Ministry Administration Program		
Mar. 15, 1983	Main Office	155,000	125,111
Mar. 15, 1983	Personnel Services	111,400	—
Mar. 15, 1983	Analysis and Planning	16,000	4,564
Mar. 15, 1983	Audit Services	13,000	3,722
Mar. 15, 1983	Systems Development Services	22,000	18,448
	Public Safety Program		
Mar. 15, 1983	Program Management	42,000	18,505
Mar. 15, 1983	Centre of Forensic Sciences	165,000	165,000
Apr. 12, 1983	Centre of Forensic Sciences	25,000	17,579
Mar. 15, 1983	Fire Safety Services	310,000	200,014
	Policing Services Program		
Mar. 15, 1983	Ontario Police College	252,000	—
Mar. 15, 1983	Ontario Police Arbitration Commission	21,000	8,711
	Management and Support Services Program		
Mar. 15, 1983	Office of the Commissioner	70,000	—
Apr. 12, 1983	Planning and Research	70,000	52,548
Apr. 12, 1983	Transport	1,818,600	1,478,734
Apr. 12, 1983	Quartermaster Stores	40,000	—
	Operations Program		
Mar. 15, 1983	Ontario Government Protective Service	460,000	383,071
Mar. 15, 1983	Registration	73,000	55,337
Mar. 15, 1983	Ontario Provincial Police Auxiliary	5,000	—
		3,669,000	2,531,344

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Tourism and Recreation		
	Ministry Administration Program		
Feb. 22, 1983	Main Office	381,000	381,000
Mar. 22, 1983	Main Office	1,318,600	1,168,068
Feb. 22, 1983	Information Services	58,100	58,100
Mar. 22, 1983	Information Services	297,000	287,953
	Tourism Development Program		
Feb. 22, 1983	Program Administration	11,700	11,700
Apr. 12, 1983	Program Administration	12,400	12,298
Feb. 22, 1983	Tourism Marketing Development	162,500	162,500
Mar. 8, 1983	Tourism Marketing Development	2,250,000	2,250,000
Apr. 12, 1983	Tourism Marketing Development	405,100	405,100
July 5, 1983	Tourism Marketing Development	30,600	30,536
Feb. 22, 1983	Tourism Field Operations	146,000	146,000
Mar. 8, 1983	Tourism Field Operations	300,000	300,000
Apr. 12, 1983	Tourism Field Operations	102,500	102,418
	Tourism and Recreational Attractions Program		
Mar. 8, 1983	Ontario Place Corporation	100,000	100,000
Feb. 22, 1983	St. Lawrence Parks Commission	841,500	777,917
Apr. 12, 1983	St. Lawrence Parks Commission	30,000	—
Feb. 22, 1983	Huronia Historical Sites	88,000	88,000
Mar. 22, 1983	Huronia Historical Sites	85,000	85,000
Apr. 12, 1983	Huronia Historical Sites	73,600	71,593
Feb. 22, 1983	Old Fort William	77,000	77,000
Mar. 22, 1983	Old Fort William	102,800	102,800
Apr. 12, 1983	Old Fort William	17,200	7,131
Apr. 12, 1983	Resort Development	140,000	137,712
	Recreation, Sports and Fitness Program		
Feb. 22, 1983	Program Administration	20,000	—
Feb. 22, 1983	Recreation	45,000	591
Feb. 22, 1983	Sports and Fitness	108,000	89,084
Feb. 22, 1983	Recreation Field Operations	290,000	127,632
		7,493,600	6,980,133
	Ministry of Transportation and Communications		
	Ministry Administration Program		
Feb. 22, 1983	Main Office	355,000	355,000
Apr. 5, 1983	Main Office	200,000	195,592
Feb. 22, 1983	Financial Services	971,000	971,000
Apr. 5, 1983	Financial Services	1,134,300	1,107,194
Feb. 22, 1983	Legal Services	89,000	89,000
Apr. 5, 1983	Legal Services	275,000	267,284
Feb. 22, 1983	Personnel Services	562,000	559,071
Feb. 22, 1983	Supply and Office Services	829,000	829,000
Apr. 5, 1983	Supply and Office Services	270,000	245,937

Date of Order	Ministry Program and Activity	Authorized	Expended
	Ministry of Transportation and Communications (cont'd)	$	$
Feb. 22, 1983	Audit Services	65,000	—
Feb. 22, 1983	Information Services	149,000	—
	Policy Planning and Research Program		
Feb. 22, 1983	Policy Planning	90,000	81,454
Feb. 22, 1983	Research	473,000	363,662
	Safety and Regulation Program		
Feb. 22, 1983	Program Administration	318,000	192,292
Feb. 22, 1983	Licensing	1,704,000	1,704,000
Mar. 22, 1983	Licensing	1,843,000	1,830,365
Feb. 22, 1983	Examination, Inspection and Enforcement	2,691,000	2,233,780
	Provincial Highways Program		
Feb. 22, 1983	Program Administration	2,441,000	2,433,066
Feb. 22, 1983	Design	5,382,000	5,382,000
Apr. 5, 1983	Design	4,000,000	3,993,102
Feb. 22, 1983	Capital and Construction	4,911,000	2,579,655
Feb. 22, 1983	Maintenance	13,130,000	9,380,844
	Provincial Transportation Program		
Feb. 22, 1983	Program Administration	81,000	75,244
Feb. 22, 1983	Air	119,000	—
Feb. 22, 1983	Marine	46,000	—
	Municipal Roads Program		
Feb. 22, 1983	Program Administration	752,000	747,059
	Municipal Transit Program		
Feb. 22, 1983	Program Administration	96,000	—
Apr. 12, 1983	Capital and Construction	450,000	421,130
	Communications Program		
Feb. 22, 1983	Program Administration	44,000	—
Feb. 22, 1983	Regulation	32,000	—
		43,502,300	36,036,731
	Ministry of Treasury and Economics		
	Ministry Administration Program		
Mar. 22, 1983	Main Office	100,000	62,356
Mar. 22, 1983	Financial Services	87,000	79,162
Mar. 22, 1983	Supply and Office Services	60,000	20,885
Mar. 22, 1983	Personnel Services	64,000	40,263
Feb. 8, 1983	Information Services	151,000	144,126
Mar. 22, 1983	Legal Services	16,000	12,655
	Treasury Program		
Mar. 22, 1983	Treasury	362,000	271,538
	Budget and Intergovernmental Finance Policy Program		
Mar. 22, 1983	Budget and Intergovernmental Finance Policy	334,000	168,998

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Treasury and Economics (cont'd)		
	Economic Policy Program		
Mar. 22, 1983	Economic Policy	600,000	261,044
Mar. 22, 1983	Regional Economic Development	6,500,000	6,499,870
		8,274,000	7,560,897
	Total Management Board Orders	481,314,900	448,535,346

EXHIBIT 4

STATUTORY APPROPRIATIONS

Amounts Expended Thereunder
Year Ended March 31, 1983

Ministry	Activity	Payment Classification	Expended
			$
Agriculture and Food	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Payment of Guarantees	Expenditure	415,453
	Subsidy Payments to The Ontario Crop Insurance Fund	Expenditure	16,904,039
	Advances to The Crop Insurance Commission of Ontario	Disbursements	16,140,877
	Tile Drainage Debentures	Disbursements	29,247,000
	Interprovincial Lotteries Trust Fund	Charges	1,252,732
	Ontario Agricultural Museum Trust Fund	Charges	7,215
	Richard Blake Palmer Horticultural Trust	Charges	4,450
			64,002,266
Office of the Assembly	The Election Act	Expenditure	653,577
	Contribution to Legislative Assembly Retirement Allowances Account	Expenditure	1,734,966
			2,388,543
Attorney General	Minister's Salary	Expenditure	23,300
	The Proceedings Against the Crown Act	Expenditure	345,803
	Allowances to Supreme Court Judges	Expenditure	195,301
	Allowances to Judges	Expenditure	469,445
			1,033,849
Citizenship and Culture	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	George R. Gardiner Museum of Ceramic Art	Expenditure	1,600,000
			1,630,500
Colleges and Universities	The Private Vocational Schools Act	Charges	30,000
	Queen Elizabeth II Ontario Scholarship Fund	Charges	60,794
			90,794

Ministry	Activity	Payment Classification	Expended
			$
Community and Social Services	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Interprovincial Lotteries Trust Fund	Charges	1,249,986
			1,280,486
Consumer and Commercial Relations	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Unclaimed Moneys	Charges	4,123
	Payments from The Motor Vehicle Accident Claims Fund	Charges	16,797,944
	Foreign Lands Deposit	Charges	39,613
	Security Bond Forfeitures:		
	The Consumer Protection Act	Charges	10,000
	The Motor Vehicle Dealers Act	Charges	98,373
	The Real Estate and Business Brokers Act	Charges	162,624
	The Travel Industry Act	Charges	528,946
	The Bailiffs Act	Charges	5,000
			17,677,123
Correctional Services	Minister's Salary	Expenditure	23,300
	Unclaimed Moneys	Charges	33
	Bequests	Charges	108
			23,441
Education	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Bequests and Scholarships	Charges	48,581
	Student Aid Loans, Write-off	Expenditure	1,451
	Ontario Education Association — Elementary Teachers' Loan Fund	Charges	508
	Teachers' Superannuation Fund	Expenditure	166,746,272
	Superannuation Adjustment Fund	Expenditure	34,152,775
	Superannuation Adjustment Benefits	Expenditure	57,959,146
			258,939,233
Energy	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
			30,500

Ministry	Activity	Payment Classification	Expended
			$
Environment	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Interprovincial Lotteries Trust Fund	Charges	796,025
	Reserve Fund for Renewals, Replacements and Contingencies	Charges	499,797
	Sinking Fund for Recovery of the Cost of Capital Assets	Charges	17,122
			1,343,444
Government Services	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Ministers' Without Portfolio Salaries	Expenditure	23,400
	Contract Security Deposits	Charges	28,475
	Effingham Park Expropriation Trust Account	Charges	19,341
	Realty Services Trust Account	Charges	3,343
	Government Stationery Account	Expenditure	44,946
			150,005
Health	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Government Pharmacy	Expenditure	2,023,868
	Interprovincial Lotteries Trust Fund	Charges	35,327,651
	Terry Fox Research Fund	Charges	73,815
	Reserve for Outstanding Cheques	Charges	1,666,599
	Estates' Funds	Charges	14,564
			39,136,997
Industry and Trade	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Massey-Ferguson Limited Act, 1981	Expenditure	75,809,615
	Ontario Development Corporation	Disbursements	5,963,080
	Northern Ontario Development Corporation	Disbursements	2,971,250
	Eastern Ontario Development Corporation	Disbursements	5,066,075
			89,840,520
Intergovernmental Affairs	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
			30,500

Ministry	Activity	Payment Classification	Expended
			$
Justice Policy	Minister's Salary	Expenditure	23,300
	Interprovincial Lotteries Trust Fund	Charges	102,887
			126,187
Labour	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Interprovincial Lotteries Trust Fund	Charges	1,567,257
	Mine Rescue Training	Expenditure	1,057,706
	Employment Standards — Unclaimed Wages	Charges	96,206
			2,751,669
Management Board of Cabinet	Minister's Salary	Expenditure	23,300
Municipal Affairs and Housing	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Housing Development Act	Expenditure	61,988,014
	Ontario Mortgage Corporation — Deposit Account	Charges	7,390,443
	Shoreline Property Assistance Act	Disbursements	364,300
			69,773,257
Natural Resources	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Contract Security Deposits	Charges	482,488
	Interprovincial Lotteries Trust Fund	Charges	1,303,909
	Thomas Foster Trust	Charges	17,325
	Algonguin Forestry Authority	Disbursements	266,585
			2,100,807
Northern Affairs	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
			30,500
Office of the Premier	Premier's Salary	Expenditure	33,200

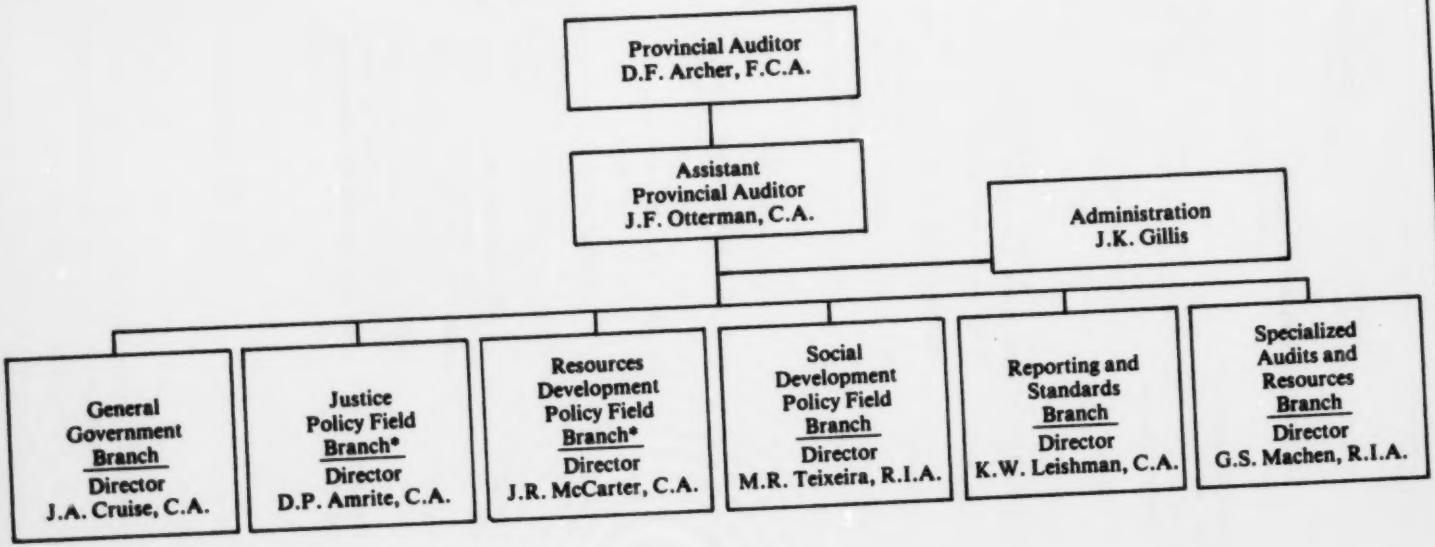
Ministry	Activity	Payment Classification	Expended
Office of the Provincial Auditor	Provincial Auditor's Salary	Expenditure	$ 69,553
Resources Development Policy	Minister's Salary	Expenditure	23,300
Revenue	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Contract Security Deposits — Retail Sales Tax	Charges	55,735
	Local Services Board Levy	Charges	85,100
	Province of Ontario Savings Office	Expenditure	6,192,744
			6,364,079
Social Development Policy	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
			30,500
Solicitor General	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Payments Under the Ministry of Treasury and Economics Act	Expenditure	287,088
	Hearings Under the Police Act	Expenditure	4,075
	Ontario Police College Library Trust Fund	Charges	1,708
			323,371
Tourism and Recreation	Minister's Salary	Expenditure	23,300
	Interprovincial Lotteries Trust Fund	Charges	5,000,000
			5,023,300
Transportation and Communications	Minister's Salary	Expenditure	23,300
	Construction Trust Account	Charges	79,459
	Contract Security Deposits	Charges	1,300
			104,059
Treasury and Economics	Minister's Salary	Expenditure	23,300
	Parliamentary Assistant's Salary	Expenditure	7,200
	Inflation Restraint Board	Expenditure	763,192

Ministry	Activity	Payment Classification	Expended
			$
Treasury and Economics (cont'd)	**Public Debt**		
	Interest on Ontario Securities		
	Public Issues		
	For General Purposes	Expenditure	82,931,366
	Non-Public Issues		
	Canada Pension Plan Investment Fund	Expenditure	984,996,664
	Teachers' Superannuation Fund	Expenditure	466,108,927
	Ontario Municipal Employees Retirement Fund	Expenditure	117,250,593
	Other	Expenditure	32,613,097
	Interest on Public Service Superannuation Fund	Expenditure	251,117,009
	Interest on Superannuation Adjustment Fund	Expenditure	80,301,544
	Interest on Province of Ontario Savings Office Deposits	Expenditure	71,873,066
	Other Interest, Exchange, Discount and Commission	Expenditure	23,075,812
	Debt Transactions	Retirements of Loans	129,729,587
	Development Loans		
	The Ontario Municipal Improvement Corporation	Disbursements	5,767,000
	Pension Funds, Deposit, Trust and Reserve Accounts		
	Payments from Public Service Superannuation Fund	Charges	108,824,958
	Payments from Superannuation Adjustment Fund:		
	Teachers' Superannuation Plan	Charges	19,120,643
	Public Service Superannuation Plan	Charges	16,332,992
	Retirement Pension Plan of Ryerson Polytechnical Institute	Charges	41,566
	Caucus Employees Retirement Plan	Charges	16,463
	Payments from Legislative Assembly Retirement Allowances Account	Charges	954,746
	Other	Charges	1,145,008
			2,392,994,733
	Total Statutory Payments		2,957,370,016*

Ministry	Activity	Payment Classification	Expended
	Summary of Statutory Payments		$
	Budgetary Expenditure	$	
	Disbursements	2,540,486,307	
	Charges	65,786,167	
	Retirements of Loans	221,367,955	
		129,729,587	
		2,957,370,016*	

* Does not include Ontario Hydro Transactions. See Report Section 5.9.

ORGANIZATION CHART
OFFICE OF THE PROVINCIAL AUDITOR



*Ministry of Municipal Affairs and Housing audited by Justice Policy Field Branch

EXHIBIT 6

OFFICE OF THE PROVINCIAL AUDITOR
MINISTRY AUDITS AND SPECIAL REVIEWS
Year Ended March 31, 1983

(See Note)

MINISTRY AUDITS

- Agriculture and Food
- Citizenship and Culture
- Colleges and Universities
- Community and Social Services
- Consumer and Commercial Relations
- Education
- Government Services
- Health
- Intergovernmental Affairs
- Labour
- Municipal Affairs and Housing
- Natural Resources
- Revenue
- Solicitor General
- Tourism and Recreation
- Transportation and Communications
- Treasury and Economics

SPECIAL REVIEWS

Management Controls Reviews:

- Care, Treatment and Training Activity of the Institutional Program, Ministry of Correctional Services
- Plant Development and Construction and Plant Operations Activities of the Environmental Control Program, Ministry of the Environment
- Ontario Police College Activity of the Policing Services Program, Ministry of the Solicitor General
- Selection and Operations of the Agency of Record and Reporting of Government Advertising Expenditures, Ministry of Tourism and Recreation

Reviews for Standing Public Accounts Committee:

- Project evaluation re computer conversion projects, control of information and ratio of internal vs. external processing work, Ministries of Health and Revenue

Hallmark Hornepayne Town Centre Project, Ministry of Northern Affairs

Management Controls, Liquor Control Board of Ontario

Detailed Reviews of EDP activities and Associated Management Controls:

Alcoholism and Drug Addiction Research Foundation

Liquor Control Board of Ontario

Special Assignment for Minister, per section 17 of the Audit Act:

Audit of additional operating costs incurred by the Simcoe County Board of Education resulting from the establishment of Ecole Secondaire Le Caron in Penetanguishene

NOTE: In general, this listing includes audits completed between September 30, 1982 and September 30, 1983. In all cases, at least a portion of the period covered by the audit fell within the fiscal year ended March 31, 1983.

EXHIBIT 7

OFFICE OF THE PROVINCIAL AUDITOR
AGENCY OF THE CROWN AND CROWN CONTROLLED CORPORATION AUDITS

Year Ended March 31, 1983

(See Notes)

AGENCIES OF THE CROWN

(i) Whose accounts the Provincial Auditor is appointed to audit by its shareholders or by its board of management, board of directors or other governing body.

* Ontario Educational Services Corporation
Ontario Industrial Training Institute
* Ontario Land Corporation
Ontario Mortgage Corporation (Note 3)
* Ontario Waste Management Corp. (Note 3)
The Owen Sound Transportation Company, Limited (December 31, 1982)
Soldiers' Aid Commission
Star Transfer Limited (December 31, 1982)

(ii) Whose accounts are audited by the Provincial Auditor pursuant to appointment under any Act or by the Lieutenant Governor in Council.

* The Accountant of the Supreme Court of Ontario
Agricultural Rehabilitation and Development Directorate of Ontario
Alcoholism and Drug Addiction Research Foundation
* Algonquin Forestry Authority
The Centennial Centre of Science and Technology
Commission on Election Contributions and Expenses
* The Crop Insurance Commission of Ontario
* Eastern Ontario Development Corporation
Egg Fund Board (December 25, 1982) (Note 2)
* Farm Income Stabilization Commission of Ontario
The Fund for Milk and Cream Producers, The Milk Commission of Ontario
IDEA Corporation
The John Graves Simcoe Memorial Foundation
The Law Society of Upper Canada, Legal Aid Fund
* Liquor Control Board of Ontario
The Live Stock Financial Protection Board (Note 2)
The McMichael Canadian Collection
* The Niagara Parks Commission (October 31, 1982)

* Northern Ontario Development Corporation
North Pickering Development Corporation (Note 3)
Office of the Assembly
Office of the Official Guardian
Office of the Ombudsman
Ontario Agricultural Museum
The Ontario Cancer Treatment and Research Foundation
Ontario Deposit Insurance Corporation (December 31, 1982) (Note 3)
* Ontario Development Corporation
* The Ontario Education Capital Aid Corporation
The Ontario Educational Communications Authority
Ontario Food Terminal Board
The Ontario Heritage Foundation
* Ontario Housing Corporation (December 31, 1982)
Ontario International Corporation
* The Ontario Junior Farmer Establishment Loan Corporation
* Ontario Lottery Corporation
* The Ontario Municipal Improvement Corporation
* Ontario Northland Transportation Commission (December 31, 1982)
* Ontario Place Corporation
Ontario Racing Commission
Ontario Stock Yards Board (June 30, 1982)
The Ontario Telephone Development Corporation
* The Ontario Universities Capital Aid Corporation
* Ontario Waste Management Corporation
Pension Commission of Ontario
Police Complaints Board
Province of Ontario Council for the Arts
Public Complaints Commissioner
* Public Service Superannuation Fund
* The Public Trustee of the Province of Ontario
Residential Tenancy Commission
The St. Clair Parkway Commission (December 31, 1982)
The St. Lawrence Parks Commission
* Superannuation Adjustment Fund

(iii) Whose accounts are audited by an auditor, other than the Provincial Auditor, appointed by the Lieutenant Governor in Council. These audits are performed under the direction of the Provincial Auditor pursuant to section 9(2) of the Audit Act.

Board of Community Mental Health Clinic, Guelph
Clarke Institute of Psychiatry
The Ontario Cancer Institute
Ontario Mental Health Foundation
* Teachers' Superannuation Fund (December 31, 1982)
* Workers' Compensation Board (December 31, 1982)

(iv) The audit of whose accounts the Provincial Auditor is required to direct or review, or in respect of which the auditor's report and working papers used in the preparation of the auditor's statement are required to be made available to the Provincial Auditor under the agency's governing Act.

* Toronto Area Transit Operating Authority

CROWN CONTROLLED CORPORATIONS, whose accounts are audited by an auditor other than the Provincial Auditor, with full access by the Provincial Auditor to audit reports, working papers and other related documents.

Beechgrove Regional Children's Centre Board of Governors
The Board of Governors of The Ontario Institute for Studies in Education (April 30, 1983)
The George R. Gardiner Museum of Ceramic Art
Metropolitan Toronto Convention Centre Corporation
Ontario Centre for Advanced Manufacturing (Note 2)
Ontario Centre for Automotive Parts Technology (Note 2)
Ontario Centre for Farm Machinery and Food Processing Technology (Note 2)
Ontario Centre for Microelectronics (Note 2)
Ontario Centre for Resource Machinery (Note 2)
Ontario Cream Producers' Marketing Board (September 30, 1982)
* Ontario Energy Corporation (December 31, 1982)
Ontario Historical Studies Series
* Ontario Hydro (December 31, 1982)
The Ontario Milk Marketing Board (October 31, 1982)
Ontario Municipal Employees Retirement Board (December 31, 1982)
Ontario Research Foundation (December 31, 1982)
Ontario Share and Deposit Insurance Corporation (December 31, 1982)
The Ontario Transportation Development Corporation (December 31, 1982) (Note 3)
Ontario Trillium Foundation (Note 2)
Ontario Van Pool Organization Limited (December 31, 1982)

The Royal Ontario Museum (June 30, 1982)
* Urban Transportation Development Corporation Ltd. (December 31, 1982)

* Audited financial statements reproduced in 1982-83 Public Accounts, the majority appearing in Volume 2 thereof.

Note 1: In all cases, the audit covered the fiscal period of the Agency or Corporation. In most cases, the fiscal period ended on March 31, 1983. Where the fiscal period ended on a date other than March 31, 1983, such date has been indicted in parenthesis.

Note 2: Newly established this fiscal year.

Note 3: Inactive during this fiscal year.

EXHIBIT 8

OFFICE OF THE PROVINCIAL AUDITOR
PROVINCE OF ONTARIO

STATEMENT OF EXPENDITURE
for the year ended March 31, 1983

	1983		1982	
	Actual	Estimates	Actual	Estimates
Salaries and wages	$2,906,686	$3,105,000	$2,387,375	$2,808,000
Employee benefits	346,971	477,000	356,286	454,000
Transportation and communication	102,751	104,000	96,031	80,000
Services	147,513	112,000	129,516	90,000
Supplies and equipment	46,063	53,000	56,054	25,000
Transfer payments				
Canadian Comprehensive Auditing Foundation	35,000	35,000	27,000	27,000
	3,584,984	3,886,000	3,052,262	3,484,000
Provincial Auditor's salary	69,553	65,000	82,267	65,000
	$3,654,537	$3,951,000	$3,134,529	$3,549,000

NOTES

1. Accounting Policy

The statement of expenditure has been prepared using the basis of accounting followed by the Province of Ontario with respect to the Public Accounts. This basis uses the "cash flow" principle of accounting modified to allow an additional thirty days to pay for goods or services pertaining to the fiscal year just ended.

2. Estimates

The estimates shown above are those noted and approved, including supplementary estimates where applicable.

AUDITORS' REPORT

TO THE BOARD OF INTERNAL ECONOMY
THE PROVINCE OF ONTARIO

We have examined the statement of expenditure of the Office of the Provincial Auditor for the year ended March 31, 1983. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this statement presents fairly the expenditures of the Office of the Provincial Auditor for the year ended March 31, 1983 in accordance with the accounting policy referred to in note 1 to the statement applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 8, 1983

ALLEN MILES FOX & JOHNSTON
CHARTERED ACCOUNTANTS

EXHIBIT 9

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS

(See Note)

Report	Section	Caption	Status as at Date of Preparation of 1983 Auditor's Report
		Ministry of Agriculture and Food	
1982	2.3	Administrative weaknesses re significant contract	Status to be verified at time of next audit in this area.
1982	*2.4	Inadequate follow-up on overdue accounts receivable	Implemented.
		Ministry of the Attorney General	
1982	*2.5	Control and administration, deficiencies re electronic data processing	Substantially implemented.
1982	*2.6	Deficiencies in purchasing and accounts payable	Implemented.
		Ministry of Colleges and Universities	
1982	*2.7	Operating grants to Universities and Community Colleges	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Energy	
1981	*2.12	Management control deficiencies re word processing centre	As explained at the May 13, 1982 Standing Public Accounts Committee meeting, the Ministry feels there are no definitive standards for the measurement of performance and productivity of word processing equipment. The Ministry maintained that their method of evaluation indicated operations of the word processing centre in terms of productivity were good.

Report	Section	Caption	Status as at Date of Preparation of 1983 Auditor's Report
1982	*2.8	Administrative deficiencies re agreement with Canada	Implemented.
		Ministry of Government Services	
1982	*2.9	Assessment of internal and management controls at computer data centres	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Health	
1981	*2.16	Operational improvements recommended re Ambulance Services Branch	Partially implemented — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1982	*2.10	Weak mail room security	Implemented.
		Ministry of Industry and Tourism	
1982	2.11	Opportunity for increased efficiency in operations of Industry Development Program	Status to be verified at time of next audit in this area.
		Ministry of Labour	
1981	*2.17	Improvements in Affirmative Action Program delivery recommended, Women Crown Employees Office	Partially implemented — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1981	*2.18	Potential for duplication of effort and performance appraisals, Women's Bureau	Implemented.
1982	*2.12	Operational matters related to the Ontario Labour Relations Board.	Implemented.

Report	Section	Caption	Status as at Date of Preparation of 1983 Auditor's Report
		Ministry of Natural Resources	
1982	*2.15	Forest fire management controls and operations	Substantially implemented.
1982	*2.16	Potential for increased revenue	Partially implemented — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Resources Development Policy Field	
1982	*2.17	Performance appraisals and merit increases	Not implemented — as indicated by the Chairman of the Civil Service Commission, only in unusual circumstances would documentation of appraisal reports be a standard practice. Also, the merit pay system is based on satisfactory performance and not on outstanding performance. Additionally, the Ontario Manual of Administration neither requires written appraisal nor requires outstanding performance for merit increase.
		Provincial Secretariat for Resources Development	
1982	*2.18	Weaknesses in administration and monitoring of grants to native people	Partially implemented — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Revenue	
1982	*2.19	Continuing systems and other deficiencies re payment of Ontario Pensioners Property and Sales Tax Grants	Substantially implemented.
		Ministry of the Solicitor General	
1982	*2.20	Insufficient controls over moveable assets	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.

Report	Section	Caption	Status as at Date of Preparation of 1983 Auditor's Report
		Crown Agencies	
1982	*3.3	Safeguards needed re loan guarantees, the Development Corporations	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1982	*3.4	Various audit observations, The McMichael Canadian Collection	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1982	*3.5	Audit observations, Office of the Ombudsman	Implemented.
1982	*3.6	Observations re significant production agreement costs, The Ontario Educational Communications Authority	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1982	*3.7	Non-arms length transactions, Ontario Food Terminal Board	The Board was not unduly disturbed by the purchase of the car because it was made under exceptional circumstances; it is common place for janitorial staff to work in family groups and was not viewed out of order by the Board.
1982	*3.8	Review of computer operations, Ontario Northland Transportation Commission	Substantially implemented.
1982	*3.10	Control weaknesses and irregularities, Ontario Waste Management Corporation	Implemented.
1982	*3.11	Serious deficiencies in accounting and internal controls, Toronto Area Transit Operating Authority	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1982	*3.12	Improvements in delivery of field audit services recommended, Workmen's Compensation Board	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.

NOTE: This exhibit provides the status of all suggested corrective action and recommendations which were:
(a) considered unresolved per Exhibit 9 of the 1982 Auditor's Report
(b) contained in the body of the 1982 Auditor's Report

• Considered resolved as at September 30, 1983.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY

EXHIBIT 10

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1983 Auditor's Report
July 10, 1975	Management Board of Cabinet — Computer Guidelines: The Committee also recommends again most strongly that adequate guidelines be drawn up with respect to the use and security of information used and stored by the government computer service.	Section 55-2-5 of the Manual of Administration presently includes general policies regarding the security of data in computer systems. Regarding guidelines concerning the use of information at the government computer centres, the Secretary, Management Board of Cabinet, advised us as follows on July 18, 1983: *"Last year when I wrote to you regarding security provisions for computer systems, the new legislation on Access to Information and Protection of Personal Information appeared imminent. A year has since gone by without the legislation being introduced and we, therefore, decided in our annual planning session last March that further delay on appropriate policy changes would be unwise. Our Management Technology Branch has defined a high priority project which started on July 4, 1983, and is scheduled for completion, including all necessary communications with interest groups, in the spring of 1984 . . .* *". . . In addition, we will be attempting to issue an interim guideline on security, probably in the form of a letter to Deputy Ministers in mid-October. With this guideline we will address most of the known major deficiencies in our existing policy without waiting until the final product is produced next year."*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1983 Auditor's Report
December 9, 1980	Ministry of the Solicitor General — Policing Services: On the question of policing, the Committee recommends that the Ministries involved move without further delay to arrive at a rationalized and equitable means of financing policing services on a consistent basis.	On September 14, 1983 the Deputy Solicitor General wrote to us as follows: *"The Interministerial Committee prepared draft recommendations which were then discussed within each participating ministry.* *"The complexity of the issues and the variety of inconsistencies which abound in the funding and organization of policing has made the task more difficult than appreciated earlier. The Interministerial Committee, supported by the participating Deputy Ministers agreed that additional data be collected to assist the analyses to be carried out in conjunction with Treasury and Economics.* *"It is hoped that the next report will be available to the Deputy Ministers by mid-November."*
December 9, 1980	Office of the Premier — Public Opinion Polls: *The Committee recommends that the Premier set down a specific policy on access to polls in accord with the conclusions reached in Background Paper Number 13, entitled "Freedom of Information and the Policy-Making Process", of the Commission on Freedom of Information and Individual Privacy.	On July 21, 1983 the Deputy Minister, Office of the Premier and Secretary of the Cabinet advised us as follows: *". . . the present government policy concerning this matter was set out, originally, in a letter which I forwarded to F.N. Scott on August 17, 1981, and reiterated in a further communication with you on June 30, 1982. At this moment in time, that policy continues to remain in place."*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1983 Auditor's Report
		In the August 17, 1981 letter to F.N. Scott, it was stated that: *". . . the Government's position, until such time as such steps are officially announced, will be to follow the pattern which has been established over the past few years — that is, to respond to specific questions about government commissioned polls in accordance with the Standing Orders of the House, and to leave the actual release of polling data to the Ministries which are involved."* In view of the above response, we have concluded that the Office of the Premier considers this matter resolved.
December 14, 1981	Ministry of Treasury and Economics — Accounts Receivable: The Government should institute a uniform policy of charging interest on overdue accounts; the rate of interest should be set at a realistic level, and reviewed periodically.	The Deputy Treasurer advised us as follows on July 11, 1983: *". . . I wish to advise that we will present, to the new Treasurer, a preliminary draft of an enabling section for the Financial Administration Act for his consideration and possible inclusion in the fall legislative calendar.* *"The Treasurer's introduction of inflation restraint legislation last fall and the protracted debate that followed and his Budget in the spring precluded the introduction of an amending Act during the past year."*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1983 Auditor's Report
December 20, 1982	Ministry of the Attorney General — Limousine Services: *The Committee recommends that the Ministry of the Attorney General should seek specific authority for the payment of limousine services for Supreme Court judges.	On January 27, 1983 the Deputy Attorney General wrote the Chairman of the Standing Public Accounts Committee: *"The Provincial Auditor now agrees that the authority for this expenditure is derived from the general authority for direct operating expenditures and that additional authority is not required.* *"On August 1st, 1982, a policy covering this expenditure was established by the Ministry and now forms part of the Manual of Administration* . . . *"Officials of the Provincial Auditor's office have indicated that the published policy answers the concerns reflected in the Auditor's Report."*
December 20, 1982	Ministry of Energy — Energy-Related Programs: *(a) The Committee believes that substantial effort should be made by the Ministry to obtain maximum value for money expended. The Ministry should also increase its efforts to eliminate provincial-federal program and publication duplication and overlap. Initiatives undertaken by the Ministry with its federal counterpart to improve the co-ordination of programs and publications and to eliminate duplication, are strongly endorsed and recommended by the Committee. Measures aimed at fostering co-operation and consultation between the provincial and federal jurisdictions in the field of energy are also recommended.	The Deputy Minister of Energy, on February 9, 1983, advised the Chairman of the Standing Public Accounts Committee as follows: *(a) "The Ministry continues to be concerned about obtaining value-for-money. The level of co-operation and consultation with the federal jurisdiction is generally satisfactory."*

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	*(b) The Committee is concerned that expenditures on the generation of publicity through paid advertising or other means of communication for energy-related programs are — and are shown to be — cost-effective. In order to ensure that cost effectiveness is achieved, the Committee recommends that such expenditures be justified by periodic evaluations or surveys of campaigns demonstrating their effectiveness.	*(b) "Since the inception of the 'Energy Ontario' advertising program of the Ministry, surveys have been undertaken at regular intervals in order to assess the effectiveness of our efforts. The survey results have been tabled in the House."
December 20, 1982	Management Board of Cabinet — Consulting Services: *In regard to the purchase of consulting services, the Committee believes that the requirements outlined in the Ontario Manual of Administration regarding tendering should not distinguish between management and technical consulting services. The Committee therefore recommends that the procedures to be followed when tendering for management consulting services, as outlined in the Ontario Manual of Administration also be followed in regard to tendering for technical consulting services.	The Secretary, Management Board of Cabinet, wrote to the Chairman of the Standing Public Accounts Committee as follows on February 16, 1983: *"In the purchase of Technical Consulting services, two different processes are allowed: either a tendering process similar to that used for the purchase of Management Consulting services, or a roster method which does not require tendering, but still assures that all suppliers are given a fair opportunity to obtain government work.* *"A recent review of these two purchasing methods by the Management Board Secretariat confirmed that both can meet the objectives of value for money and fairness to suppliers when properly used.*

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		"Changes to the Ontario Manual of Administration resulting from that review are being implemented. It is intended that the revised policy specifically limit the use of the roster method to those ministries which have, for the type of service being purchased, sufficient buyer expertise to negotiate contract prices and to thereby ensure that the best value for money is achieved."
December 20, 1982	Management Board of Cabinet — Contract Employees:	(a) On March 9, 1983 the Chairman of the Civil Service Commission wrote as follows to the Chairman of the Standing Public Accounts Committee:
	*(a) The Committee recommends that employee contracts should be reviewed prior to their scheduled expiry to allow the opportunity to determine if the services continue to be required, and if so, to continue them through an arrangement that maximizes cost-efficiency. The fee structure should not change unless the duties and responsibilities of the employees also change substantially such that a pay increase is clearly warranted.	*"Volume 2 of the Manual of Administration establishes certain requirements for the renewal of contracts and deals with changes in job requirements . . .* *"I would indicate to you and the members of the Committee that individual ministries are responsible for dealing with renewal of contracts and the change in job requirements. Because of the Committee's interest in this matter I have written to the deputy ministers of each ministry, with a copy to personnel directors, reminding them of these requirements."*
	*(b) Further, except in exceptional circumstances, employees whose contracts have been allowed to expire should not be rehired as consultants by the same employee until a reasonable period of time has elapsed, and only when the circumstances clearly warrant this procedure.	(b) The Secretary, Management Board of Cabinet, advised the Chairman of the Standing Public Accounts Committee as follows on August 3, 1983: *". . . a guideline for the purchase of consulting services is in the process of being included in the*

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		Ontario Manual of Administration policies. The guideline states that contracts for the services of former officials must bear the closest public scrutiny. Furthermore, the guideline stipulates that no contract for the services of a former employee may be entered into where an unfair advantage in securing the contract results from the individual's former official capacity."
December 20, 1982	Ministry of Labour — Affirmative Action Program: *(a) The Committee believes that in certain instances, the long-term objective of 30 percent representation (of women Crown employees) by the year 2000 is not likely to be met under current circumstances. The Committee therefore recommends that the Ministry should improve opportunities for training women to insure that goals are met. *(b) The Committee further recommends that the Ministry endeavour to improve its methods for projecting the future availability of qualified women for certain public service occupations so that the targets may be accommodated to more realistically reflect both the status of the vacancies and the number of qualified women candidates for those vacancies.	On August 3, 1983 the Executive Director, Ontario Women's Directorate, advised us as follows: *(a) ". . . The Women Crown Employees Office is currently conducting an in-depth review of results of the first 3 years of the 1980 Affirmative Action Directive, including analysis of training opportunities especially in areas under-represented by women. Any modifications to the program which are developed will include proposals to address this issue."* *(b) ". . . This same study of results across the Public Service will lead to some modifications to the way in which we estimate vacancies and numbers of available qualified women."*

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December 20, 1982	Ministry of Revenue — Ontario Pensioners Property and Sales Tax Grants: *The Committee recommends that the Ministry ensure that an adequate number of well-informed personnel are in place to answer questions and process applications.	In a letter to the Chairman of the Standing Public Accounts Committee dated March 1, 1983, the Deputy Minister of Revenue summarized several improvements that had been made to its Ontario Tax Grant operations. These included increases in the number of staff, incoming lines and terminals in the Ministry Telephone Information Centre, a special M.P.P.'s service centre, a new enquiries tracking feature, as well as a comprehensive staff training program.
December 20, 1982	Provincial Secretariat for Social Development — Experience Program: *(a) During the course of discussion the Committee discovered that the Provincial Secretariat distributes hats, buttons, and other promotional paraphernalia to students in its program. The Committee believes that such items are unnecessary and recommends that they not be purchased or distributed. The money saved could be used for additional employment opportunities. *(b) The Committee further recommends that the Provincial Secretariat develop adequate methods of monitoring the effectiveness of the Experience Program in order to ensure that the Program benefitted both the employee and the Ministry.	In a letter dated January 27, 1983 the Deputy Provincial Secretary for Social Development advised the Chairman of the Standing Public Accounts Committee that: *(a) "As was noted in the discussion at the Standing Committee on Public Accounts, a decision was made at the end of 1981 that the Provincial Secretariat would no longer distribute promotional items to Experience participants. Despite the very low cost of these items (less than $2.50 per participant), we decided that it would be best to use all available funds for the creation of employment opportunities."* *(b) ". . . A number of developments in this area were underway at the time the Auditor carried out the Management Controls Review of the Experience program and there has been further action since that time.* *1. When the Management Controls Review was carried out, a survey of the Experience 81 participants was underway but had not been completed. This survey*

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		subsequently showed that 81% of the participants were satisfied or very satisfied with their jobs and that 80% had either improved their job skills or gained new job skills. It also showed that 88% felt that they had provided useful or very useful services to the community. Similar results were reported by Experience 82 participants. 2. *In addition to the participants survey noted above, the Youth Secretariat assesses the Experience program through the use of comprehensive employment data records and through project visits during the summer months. Many large Experience programs are also evaluated by the sponsoring ministries. Taken together, these evaluation mechanisms ensure that the program is closely monitored for effectiveness.* 3. *The Ontario Manpower Commission recently initiated a major evaluation of the Experience program and other programs within the Youth Employment envelope. This evaluation . . . . is expected to be completed by March, 1983. The Youth Secretariat is represented on the Steering Committee for the evaluation."*
December 20, 1982	Office of the Provincial Auditor — Management Audit: *In view of the Liquor Control Board of Ontario's sales in 1981 of $1,182,784,469 and its net income for the	A management audit of selected operations was completed and a report sent to the Chairman of the Board on July 22, 1983. See section 4.5 of this Report for details thereof.

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	year of $443,383,433, the Committee recommends that the Provincial Auditor undertake a management audit of selected operations of the Board.	
December 20, 1982	Management Board of Cabinet — Crown Agencies: *The Committee recommends that Management Board of Cabinet should inform agency heads fully of their responsibilities and hold the agency heads accountable for their actions and performance.	The Secretary, Management Board of Cabinet, wrote as follows to the Chairman of the Standing Public Accounts Committee on February 16, 1983: *"In the Ontario Government, all agency heads are held accountable for their actions and performance by their Ministers. Management Board, for its part, is responsible for ensuring a necessary level of consistency across the Government by setting certain procedural policies governing such matters as: the establishment of agencies, the application of Management Board's administrative policies to agencies, the facilitation of an accountability relationship between the agency and its responsible Minister, and the sunset review of agencies.* *"The Memorandum of Understanding is one of the key procedures which the Management Board has established to govern the accountability of agencies. The Memorandum clarifies the objectives, priorities and performance expected of the agency and sets out the respective responsibilities and operating relationships of the agency and its parent Ministry. All Memoranda are approved by Management Board and Cabinet and are tabled in the Legislature."*

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December 20, 1982	Management Board of Cabinet and Office of the Provincial Auditor — Word Processing: *Management Board Secretariat and the Provincial Auditor should work toward developing a mutually acceptable definition of and means for measuring productivity in word processing.	In a letter to the Chairman of the Committee dated February 16, 1983 the Secretary, Management Board of Cabinet stated: *"We would be pleased to work with the Provincial Auditor in seeking ways to increase office productivity.* *"However, at this time we are not convinced that the action suggested in the recommendation would provide the greatest payback in this respect. Word processing itself represents something less than 2% of the total costs of the average modern office.* *"Hence, we wish to examine other issues of office automation, which are coming to the fore and which may rate higher priority. Included amongst those issues are electronic mail, executive information systems and personal computers. From our examination, we would expect to develop appropriate policies to maximize government productivity."*
December 20, 1982	Ministry of Government Services — Contingency Plans at Government Computer Centres: *The Committee recommends that immediate action be taken by the Ministry to develop contingency plans for computer system disruption and/or disaster.	On March 1, 1983 the Deputy Minister of Government Services wrote the Chairman of the Standing Public Accounts Committee: *"Three activities are currently in progress in the Computer and Telecommunication Services Division (CTSD) of this Ministry. They are:* *1. A risk assessment of the computer centres has been completed and there is an analysis in progress to determine the feasibility of implementing initiatives that would address the more critical exposures.*

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		2. *Negotiations are being completed for use of a private sector computer recovery site in the Toronto area in case of a disaster occurring in one of the Toronto Computer Centres of CTSD. These premises are fully prepared and capable of housing a large scale computer system.* 3. *CTSD contingency procedures are being revised to include an arrangement with vendors for very short lead time delivery of computing systems and equipment to the recovery site in case of disaster. It is expected that the equipment deliveries would be within forty-eight hours of a declared disaster and would not be subject to normal competitive procurement policies.* *"However, the foregoing steps would be largely ineffective unless there is a complementary effort to designate, priorize and test major computer based application systems that support the delivery of the programs of the ministries.* *"CTSD has promoted and encouraged client ministries, by means of a security awareness program, to undertake the massive task of preparing and testing disaster preparedness arrangements for application systems. CTSD's effort for voluntary co-operation has met with limited success. While client ministries are cognizant of the importance of disaster preparedness for their application systems, they are equally aware that disaster preparedness*

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		would require the redeployment of their highly skilled technical personnel from initiatives that aid improved delivery of governmental programs. The dilemma is whether to use resources on the certainty of current improvement initiatives versus the preparation and testing for disasters that may not occur. *"Realizing that the dilemma exists, the Ministry of Government Services is preparing a position paper that would envisage the formation of a small unit in Government that would have responsibilities including:* *— developing an inventory of all application systems* *— aiding each Ministry in priorizing its applications systems* *— developing disaster preparedness and testing conventions* *— development of criteria for the selection of application system priorities among Ministries* *— ensuring that adequate computer facilities are available for the highest priority application systems under disaster conditions* *— ensuring that the highest priority application systems are periodically tested under simulated disaster conditions* *— being prepared under actual disaster conditions to assist in the operation and administration of the highest priority application systems."*

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December 20, 1982	Management Board of Cabinet — Estimates: *The Committee recommends that the Management Board of Cabinet specify in the printed Estimates the service component, such as costs for advertising, computers, and so forth.	On February 16, 1983 the Secretary, Management Board of Cabinet, advised the Chairman of the Standing Public Accounts Committee that: *"The format of the Estimates was changed in 1971-72 from voting expenditures by object of expenditure (e.g. Salaries, Travel and Maintenance) to voting expenditures by program and activity. The primary purpose of this was to permit the Legislature to assess planned spending by focussing attention on the programs and activities required in order to achieve the purpose of the expenditure, rather than on the objects on which the money would be spent.* *"Another basic purpose of the Estimates format is to present a clear and concise summary of expenditure information. Hence, information is summarized by Standard Account (e.g. Salaries and Wages, Services) to present major expenditure categories for the Estimates year under consideration.* *"Any increase in the amount of detail displayed in the Estimates would detract from these basic purposes of the document, and could, as well, significantly increase the size of the Estimates volumes and the overall cost of their production. For these reasons, we are not in favour of specifying service components, as suggested by the committee."*
December 20, 1982	Civil Service Commission — Grievance Boards: *Because of the complexities involved in regard to the	The Chairman of the Civil Service Commission, on February 3, 1983, advised the Chairman of the Standing Public Accounts Committee as follows:

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	nature of an offense committed by an employee and its relationship to the performance of that employee's job, possible breach of trust and conflict of interest, and value for money expended, the Committee recommends that a general review of the grievance procedure, with a focus on the issues outlined above, be undertaken by the Management Board of Cabinet and the Civil Service Commission.	*". . . I want to advise that I have initiated a comprehensive assessment of those decisions in recent years.* *"For the sake of clarification, I would make the following observations.* *"First, if I understand the primary concern of the Committee it is with the effect of certain decisions of the Grievance Board rather than with the grievance process itself. The grievance process in effect in the Ontario Public Service is virtually identical to the process commonly in effect in the private sector and one which is accepted as fair and reasonable by employers and employee representatives alike . . . In conducting the review of grievance decisions, I am assuming the Committee is not suggesting that any of these negotiated rights of employees be taken away.* *"With respect to the processing of trivial or frivolous grievances, it must be borne in mind that, almost without exception, grievances are filed by employees and not by the employer. Therefore, the nature of the grievances filed rests solely with the employees and their union. . .* *"If I have misinterpreted the intention of the Public Accounts Committee in any respect, I would be pleased to hear further from you.* *"In the meantime, the review of the grievance decisions will continue and I shall give you a report on our findings at the earliest opportunity."*

NOTE: This Exhibit provides the status of all recommendations contained in the Standing Public Accounts Committee's December 20, 1982 Report to the Legislature. The Exhibit also includes the status of recommendations contained in previous Committee reports which were considered unresolved by the relevant ministry or agency per Exhibit 10 of our 1982 Report.

***Considered resolved by ministry or agency as at September 30, 1983.**